

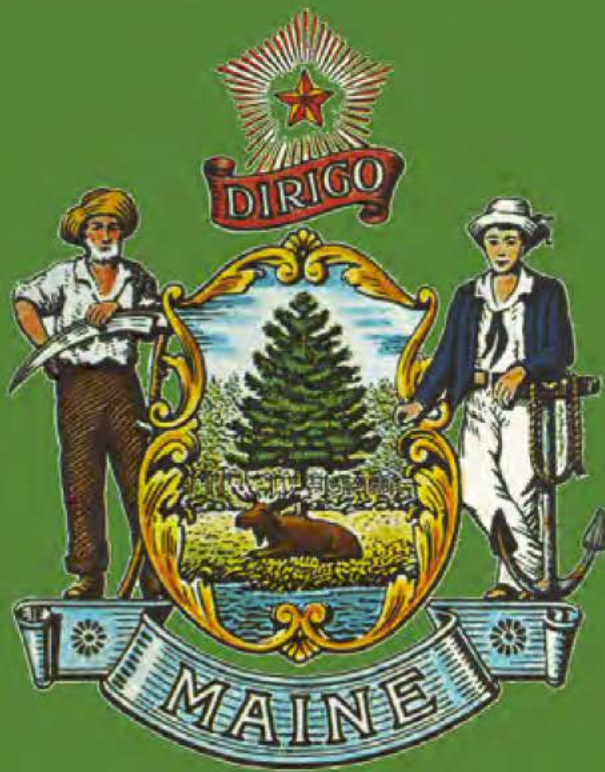
# MAINE STATE LEGISLATURE

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# MAINE



*Comprehensive Annual Financial Report*

*For The Fiscal Year Ended June 30, 2002*

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# COMPREHENSIVE ANNUAL FINANCIAL REPORT

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# MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2002

**JOHN ELIAS BALDACCI**  
*Governor*

**REBECCA M. WYKE**  
*Commissioner*  
*Department of Administrative & Financial Services*

**EDWARD A. KARASS**  
*State Controller*

*Prepared by the State Controller's Office*

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State of Maine  
Bureau of Accounts & Control  
Administration Division  
14 State House Station  
Augusta, ME 04333-0014

or e-mail us at:  
**Bureau.Accounts-Ctrl@maine.gov**

Information relating to the State of Maine is available at the following web site:

**<http://www.maine.gov>**

**STATE OF MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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# INTRODUCTORY SECTION

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STATE OF MAINE  
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES  
**BUREAU OF ACCOUNTS AND CONTROL**  
14 STATE HOUSE STATION AUGUSTA, ME 04333-0014

EDWARD A. KARASS  
STATE CONTROLLER



TERRY E. BRANN, CPA  
DEPUTY STATE CONTROLLER

June 1, 2003

**To the Honorable John Elias Baldacci, Governor,  
the Honorable Members of the Legislature, and  
Citizens of the State of Maine**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) for the State of Maine for the fiscal year ended June 30, 2002. The annual CAFR, required by Title 5 M.R.S.A., § 1547, is compiled and published by the Office of the State Controller (OSC), Bureau of Accounts and Control. It is the primary information source for State government's financial activities and is compliant with generally accepted accounting principles (GAAP). This is our first CAFR prepared in conformance with Governmental Accounting Standards Board (GASB) Statement No. 34. The objective of this statement is to provide a clear picture of the government as a single, unified entity, as well as providing traditional fund based financial statements.

**Responsibility**

The OSC is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with GAAP. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of Maine's financial position and activities.

**Adherence to Generally Accepted Accounting Principles**

As required by State statute, we have prepared the CAFR in accordance with GAAP applicable to state and local governments, as promulgated by the GASB. The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

**Format of Report**

This Maine CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains this letter, the list of principal elected and appointed officials, and the State government organizational chart. The Financial Section contains: the independent auditor's report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and component units, together with notes to the financial statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules, schedules of pension funding progress, and information about infrastructure assets; and the supplemental financial data, which includes the combining financial statements and schedules. The Statistical Section contains selected trend information, and statistical data on financial, economic and demographic measures.

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### **Internal Control Structure**

Management of the State of Maine is responsible for establishing and maintaining internal controls to ensure that government assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal financial assistance for federal programs, the State is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these federal programs. The internal control structure is subject to periodic evaluation by management and by the State Department of Audit as part of the annual Single Audit.

### **Independent Auditors**

Pursuant to Title 5 M.R.S.A. § 243, the State Auditor has performed an examination of the basic financial statements in accordance with auditing standards generally accepted in the United States of America. The auditor's opinion is presented in the financial section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The State Auditor rendered an unqualified opinion on the basic financial statements for this fiscal year.

Also, pursuant to § 243 the State Auditor has undertaken a single audit of the State as a whole, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, as required by federal law. The standards governing Single Audit engagements require the auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements involving the administration of federal awards. This statewide federal single audit report, including the auditor's opinion in accordance with generally accepted auditing standards, is published separately.

### **Management's Discussion and Analysis (MD&A)**

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

## **PROFILE OF THE GOVERNMENT**

### **Reporting Entity**

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, Authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 2 to the basic financial statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement 14. There are ten major component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements; and the blended component unit is included as a separate fund in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component units financial statements along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

### **Budgetary Control**

The Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. The State Constitution provides the Governor a “line item” veto, which allows an Executive dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document.

Once passed and signed, the budget becomes the financial plan for the State for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. In accordance with statute, the State Budget Officer must use the projections of the Revenue Forecasting Committee to prepare the General Fund and Highway Fund budgets.

The State maintains budgetary control at the account and line category levels. The head of each department and agency of State government must submit a work program to the Bureau of the Budget for the ensuing fiscal year. The work program is classified to show allotments requested for specific amounts for personal services, capital expenditures, and all other departmental expenses. These are the levels at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Controller authorizes all expenditures to be made from the amounts available on the basis of these allotments and not otherwise.

Budget revisions during the year, reflecting program changes or intradepartmental administrative transfers, require the approval of the State Budget Officer and the Governor. Except in specific instances, only the Legislature may transfer appropriations between departments. Agency requests for increases in appropriations, allocations, or funding for new programs are presented to the Legislature as a supplemental budget.

The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. The State reports encumbrances outstanding at year-end as reservations of fund balances to identify those portions of fund balances that are not available for allocation or expenditure, or that are legally segregated for specific future uses. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Maine is an attractive place in which to live and conduct business. The State has a highly motivated and skilled work force. We are geographically positioned to accommodate a robust tourist industry both inland and along the coast. Our many miles of coastline and seaports provide ample opportunities for commercial shipping and ocean based industries. The State’s two major international jetports are resources that offer Maine a gateway to global trade. Maine’s superior highway infrastructure allows state businesses to take advantage of business opportunities anywhere in the U.S. or Canada. Maine’s Learning Technology initiative is a model being replicated throughout the country and the world. We are leaders in the area of integrating computer technology and education. This is further evidence of Maine’s commitment to developing and maintaining a highly skilled workforce.

Maine's personal income growth was 10<sup>th</sup> highest in the U.S. in 2002. The per capita income for 2002 was \$27,744, an increase of 3.3% over 2001. However, Maine lost 1,814 jobs in 2002 which represented a -.3% growth rate. As compared to the rest of New England and the U.S. as a whole, Maine fared much better as the statistics for New England and the U.S. are -1.5% and -.9%, respectively. Even with the negative growth rate, in April 2002 Maine's unemployment rate was less than the national average, or the New England average. Maine's rate was 4.0%, U.S. rate was 6.0%, and New England stood at 4.3%.

The sluggish national economy has impacted Maine's estimated revenues available for appropriation by the legislature. The State has revised its revenue estimates downward several times during the year causing the enactment of three budget amendments to reduce appropriations and allocations, to meet emergency needs in the Department of Corrections, and to make changes in statute to implement revisions to services provided to the public. Revised revenue estimates for the General Fund for 2002-2003 are only expected to increase by 2.2%; however, through the month of April our preliminary estimates demonstrate growth amounting to only 1.9%. The major contributors to the sluggish growth rate of revenues include little growth in employment and decline in tax revenue from capital gains, which is a result of the ongoing stock market correction, and tax reductions associated with conformity with the federal tax code. The State Budget Office has estimated that the stock market correction has reduced State tax revenues by approximately \$130 million annually.

In spite of these challenges, Maine's overall financial condition is healthy. During 2002, Maine businesses invested \$117.5 million in plant, equipment, and new jobs. The State of Maine will emerge from the national recession with a stronger and viable economy. The State's general obligation debt load remains modest; our governor and legislature have taken the appropriate budgetary actions to ensure that spending remains within available resources; and the State has not had to resort to tax increases on our citizens or businesses to balance the budget.

## **CURRENT DEVELOPMENTS AND INITIATIVES**

Despite our many achievements, we can do better and accomplish more. We benefit from many advantages that should enable Mainers to enjoy a higher standard of living and better quality of life through affordable health care. With particular emphasis on improving our per capita personal income, our sights are on implementing policies that will allow all of Maine's citizens to realize their potential.

In the coming year, the Governor will propose to the legislature a major tax reform proposal which will include a local option component.

The Governor is also proposing landmark legislation that creates a health plan that will extend comprehensive health insurance to small employers, self-employed and the uninsured. As a part of the plan, the Governor proposes to establish Dirigo Health, a non-profit to manage the plan.

## **FINANCIAL INFORMATION**

### **Cash Management**

The State pools cash for a variety of State agencies and public sector entities. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. In accordance with statute, the Treasurer of State may deposit State funds in any of the banking institutions organized under the laws of this State, and any national bank or federal savings and loan association located in the State. All state money in any depository of State Government shall be to the credit of the State but the Treasurer of State shall not withdraw any of the funds except upon the authority of the State Controller.

The Treasurer of State may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services, and the consent of the Governor. The list of approved pool investments includes: U.S. Treasury Bills, Notes, Bonds and Agency Securities, certain secured repurchase agreements, prime commercial paper, tax-exempt obligations, banker's acceptances, and certain secured shares of an investment company registered under the federal Investment Company Act of 1940.

Deposits with financial institutions are classified by collateral risk into three categories. Category 1 is the amount of State deposits that are fully insured or collateralized with securities held by the State or its agent in the State's name. Category 2 is the amount of deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 is the amount of deposits that are neither collateralized nor insured. More detailed information about deposits can be found in the notes to the financial statements.

### **Debt Administration**

When issuing General Obligation Bonds, the State of Maine pledges its full faith and credit to repay the financial obligation. Unless certain tax revenue streams are specifically restricted, states typically pledge all of their tax-raising powers to secure the obligations. The major bond rating agencies regularly assess the capacity and willingness of the State to repay its general obligation debt. Moody's Investors Service, Standard & Poor's, and Fitch IBCA, Inc., make their assessments, in large part, by examining four basic analytical areas:

- Economy
- Financial Performance and Flexibility
- Debt Burden
- Administration

The economic base is the most critical element in determining the rating. Growth and diversity in the demographics, tax base, and employment base of the State over the last decade are indicators of future growth prospects and debt repayment capabilities. Generally, states with higher income levels and diverse economic bases have superior debt repayment capabilities and are better protected from sudden shocks or unexpected volatility in the economy. Because a strong economy does not always ensure a state's ability to meet debt payments, the state's financial management and performance are also key factors.

Financial analysis involves several factors, including: accounting and reporting methods; revenue and expenditure patterns; annual operating and budgetary performance; leverage and equity positions; budget and financial planning; and contingency obligations. These factors present a clear indication of the financial strengths and weaknesses of the State. The rating agencies' analyses of these factors provide the framework for judging Maine's capacity to manage economic, political, and financial uncertainties. Following is a history of Maine's credit ratings from three of the major rating agencies, and a brief explanation of their meanings:

<u>Standard &amp; Poor's</u>	<u>Year</u>	<u>Rating</u>
"AAA" is the highest Issuer Credit Rating assigned by Standard & Poor's. An obligor rated "AAA" has EXTREMELY strong capacity to meet its financial commitments. An obligor rated "AA" has VERY strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree. Ratings from "AA" to "CCC" may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.	1993	AA+
	1994	AA+
	1995	AA+
	1996	AA+
	1997	AA+
	1998	AA+
	1999	AA+
	2000	AA+
	2001	AA+
	2002	AA+

### Moody's Investors Service

Moody's is one of the few major rating agencies that measures total expected credit loss over the life of the security, assessing both the likelihood that the issuer will default and the amount of loss after a default occurs. "Aaa"rated bonds are judged to be of the best quality. Generally referred to as "gilt edge," they carry the smallest degree of risk. "Aa"rated bonds are judged to be of high quality by all standards and together with the "Aaa" group they comprise what is generally known as high grade bonds. Moody's applies one of three numerical modifiers to each generic rating classification from "Aa" to "Caa." The modifier 1 indicates that the issue ranks at the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic category.

<u>Year</u>	<u>Rating</u>
1993	Aa
1994	Aa
1995	Aa
1996	Aa
1997	Aa3*
1998	Aa2
1999	Aa2
2000	Aa2
2001	Aa2
2002	Aa2

*\* Refinement of Aa rating, not a downgrade*

### Fitch IBCA, Inc.

"AAA" indicates obligations that have the highest rating assigned by Fitch, IBCA on its national rating scale. The capacity for timely repayment of principal and interest is considered extremely strong. "AA" indicates obligations for which capacity for timely repayment of principal and interest is very strong. Obligations rated "A" indicate that the capacity for timely repayment of principal and interest is strong relative to other obligors. However, adverse changes in business, economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.

<u>Year</u>	<u>Rating</u>
1996	AA**
1997	AA
1998	AA
1999	AA
2000	AA+
2001	AA+
2002	AA+

*\*\* Initial rating in 1996, not previously rated*

Various agencies and Authorities, the Maine Technical College System, and the University of Maine System issue revenue and/or lease-backed appropriation bonds. These obligations are supported solely by the revenues received by the issuing entities and the State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. More detailed information about long-term obligations may be found in Note 11 to the financial statements.

### **Risk Management**

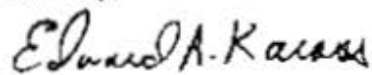
In general, the State is "self insured" for health and dental insurance, worker's compensation, tort liability, vehicle liability, marine and aircraft, property losses, and retiree health insurance for State employees and teachers. The Risk Management Division's activities include analysis of and control over insurance coverage and risk exposure. Risk Management funds the cost of providing claims servicing and claims payment by charging premiums to agencies based on a review of past losses and estimated losses for the current period.

## OTHER INFORMATION

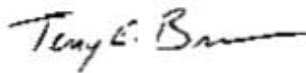
### Acknowledgements

Each year, preparation of the CAFR requires the collective efforts of finance personnel throughout the State, from virtually all agencies, departments and component units. We sincerely appreciate the dedicated efforts of all of these individuals. We are particularly proud of two first-time achievements this year. This is the first CAFR we were required to prepare in accordance with the new financial reporting model promulgated by GASB Statement No. 34, and this is the first CAFR we have published containing an unqualified opinion on the financial statements. Both of these achievements were made possible by the dedicated staffs within the Office of the State Controller and the Department of Audit, all of whom strive for improvements that will result in the improved quality and efficiency of Maine's financial reporting.

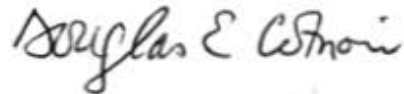
Sincerely,



Edward A. Karass, CGFM  
State Controller



Terry E. Brann, CPA  
Deputy State Controller



Douglas E. Cotnoir, CPA CIA  
Manager, Financial Reporting & Analysis



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2002

### EXECUTIVE

**Angus S. King, Jr.,** *Governor*

### LEGISLATIVE

**Richard A. Bennett,** *President of the Senate*

**Michael V. Saxl,** *Speaker of the House*

#### Constitutional Officers

**G. Steven Rowe,** *Attorney General*

**Gail M. Chase,** *State Auditor*

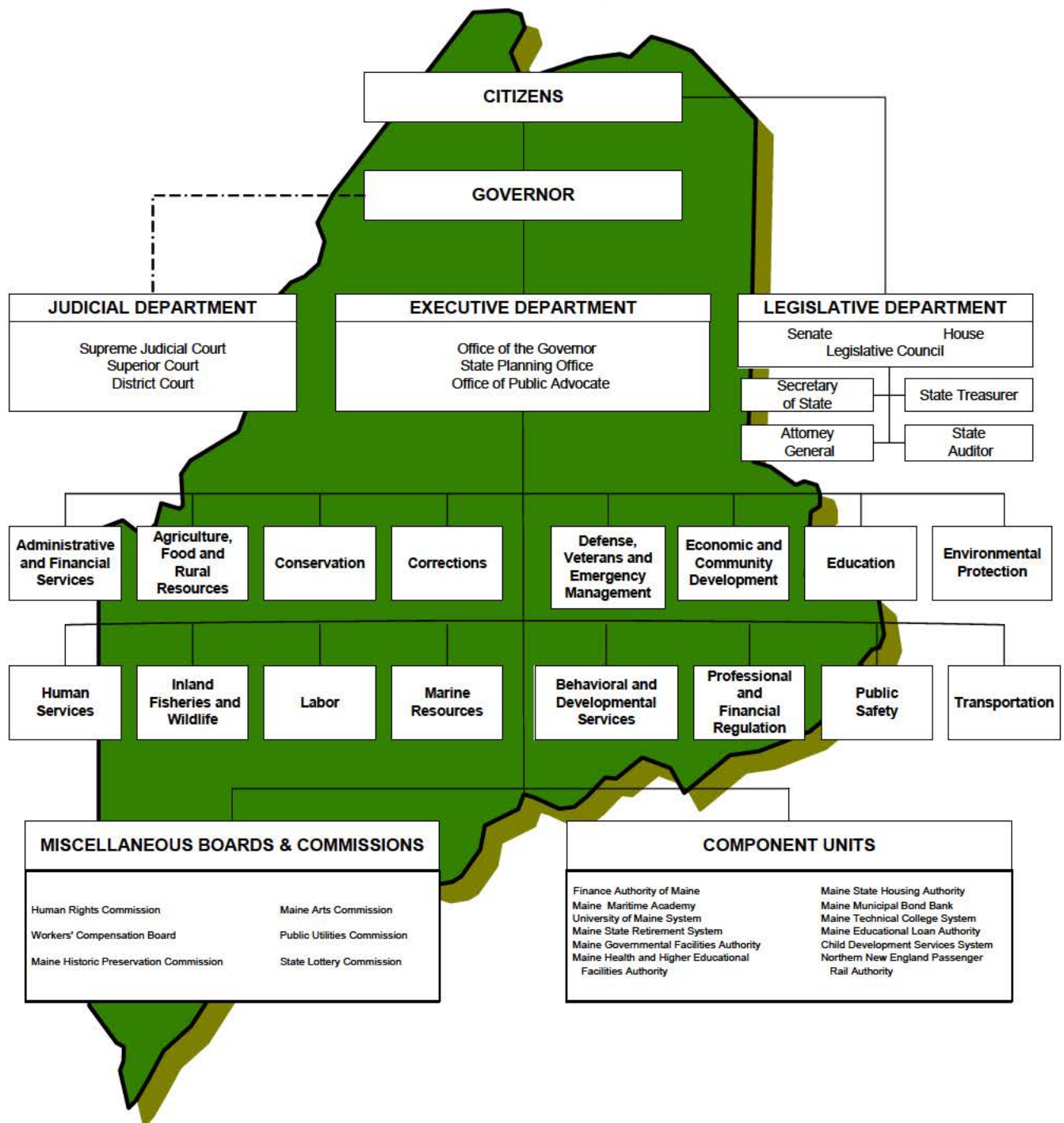
**Dan A. Gwadowsky,** *Secretary of State*

**Dale McCormick,** *State Treasurer*

### JUDICIAL

**Leigh Ingalls Saufley,** *Chief Justice of the State Supreme Court*

# ORGANIZATION CHART OF MAINE STATE GOVERNMENT AS OF JUNE 30, 2002





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**FINANCIAL SECTION**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**

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GAIL M. CHASE, CIA  
STATE AUDITOR

# STATE OF MAINE DEPARTMENT OF AUDIT

66 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0066

TEL: (207) 624-6250  
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RICHARD H. FOOTE, CPA  
DEPUTY STATE AUDITOR  
CAROL A. LEHTO CPA, CIA  
DIRECTOR OF AUDITS  
MICHAEL J. POULIN, CIA  
DIRECTOR OF AUDITS

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Child Development Services System, Finance Authority of Maine, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities, Maine Maritime Authority, Maine Municipal Bond Bank, Maine State Housing Authority, Maine State Retirement System, Maine Technical College System, Northern New England Passenger Rail Authority, and University of Maine System. Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

<u>Government-Wide Financial Statements:</u>	<u>Percent of Assets</u>	<u>Percent of Revenues</u>
Primary Government-Governmental Activities	6%	1%
Component Units	100%	100%
 <u>Fund Financial Statements:</u>	 <u>Percent of Assets</u>	 <u>Percent of Revenues or Additions</u>
Proprietary Funds-Governmental Activities-		
Internal Service Funds	55%	4%
Fiduciary Funds-Pension (and Other Employee		
Benefit) Trust Funds	100%	100%
Component Units	100%	100%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinion, insofar as it relates to the amounts included for those component units and funds, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the basic financial statements, the State of Maine adopted Governmental Accounting Standard Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This results in a change in the format and content of the basic financial statements.

The Management's Discussion and Analysis, budgetary comparison schedules and related notes, information about infrastructure assets reported using the modified approach, and information on the schedules of funding progress and employer contributions for the State retirement plan and the Participating Local District plan are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

  
Gail M. Chase, CIA  
State Auditor

April 30, 2003

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2002. Please read it in conjunction with the financial statements, which immediately follow this section.

The State of Maine implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in fiscal year 2002. This Statement required certain prior year financial statement data to be restated. The format of basic financial statements has also been changed to meet the requirements of this Statement. Few comparisons are available between the current and prior year due to these changes. In future years, additional comparisons will be included in this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The State's net assets increased by less than one percent from the previous fiscal year. Net assets of governmental activities decreased by \$35 million, while net assets of business-type activities increased by \$44.3 million. The State's assets exceeded its liabilities by \$3.2 billion at the close of fiscal year 2002. Component units reported net assets of \$1.3 billion, an increase of \$31 million (less than one percent) from the previous year.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$509 million, a decrease of \$407.4 million from the previous year. The General Fund's portion of total fund balance was \$20.3 million, a decrease of \$299.4 million from the previous year.
- The proprietary funds reported net assets at year end of \$595.8 million, an increase of \$60.1 million. The largest portion of the increase, \$57.9 million, is due to the Unemployment Compensation fund, which is reported as an enterprise fund under GASB Statement No. 34 beginning in fiscal year 2002.

#### Long-term Debt:

- The State's liability for general obligation bonds decreased by \$60 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$27.6 million in bonds and made principal payments of \$87.6 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 10.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the State:

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the State's *overall* financial status.
  1. The Statement of Net Assets reports the State's assets, liabilities, and net assets.
  2. The Statement of Activities reports the State's revenue, expenses, and other changes in net assets.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the State, reporting the operations in *more detail* than the government-wide statements.
  1. The *governmental fund statements* tell how *general government* services such as public protection, human services, education and culture, and transportation were financed in the *short term* as well as what remains for future spending.
  2. The *proprietary fund statements* offer *short- and long-term* financial information about the activities that the State operates *like businesses*, such as its Employment Security Fund.
  3. The *fiduciary fund* statements provide information about the financial relationships in which the State acts solely as a *trustee* or *agent* for the benefit of others, including the employees of the State. Examples of this fund type are the Abandoned Property Fund, the Permanent School Fund, and the Payroll Withholding Fund.

The financial statements also include *notes* that provide additional information about the financial statements and the balances reported. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the State's budget to its actual results of operations for the year.

Table A-1 shows how the various parts of this annual report are arranged and how they are related to one another.

**Table A-1:** Organization of the State's Annual Financial Report

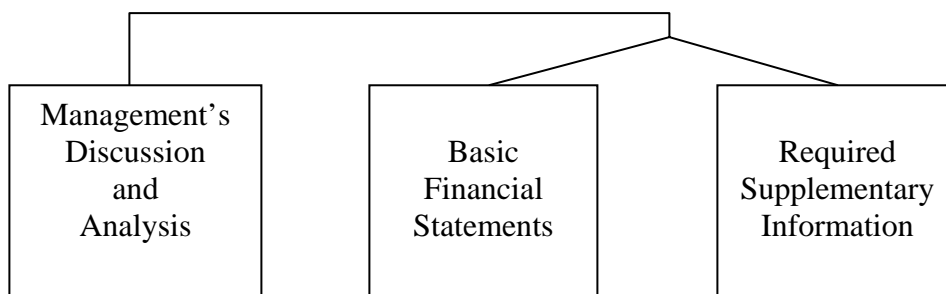


Table A-2 summarizes the major features of the State’s financial statements, including the portion of the State’s activities that they cover and the types of information that they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Table A-2: Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity and component units (except fiduciary funds)	The day-to-day operating activities of the State, such as <ul style="list-style-type: none"> <li>• public protection</li> <li>• human services</li> <li>• education and culture</li> <li>• transportation</li> <li>• general government</li> </ul>	The activities of the State, such as <ul style="list-style-type: none"> <li>• employment security</li> </ul>	Instances in which the State administers resources on behalf of others, such as certain trusts and agency funds
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year; regardless of when cash is received or paid

## Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the State's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the State's *net assets* and how they have changed. Net assets, the difference between the assets and liabilities, is one way to measure the financial health or position of the State.

- Over time, increases and decreases in net assets are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the State, additional non-financial factors such as changes in the State's property tax base and the condition of roads, buildings, and other facilities should be considered.

The government-wide financial statements are divided into three categories:

- *Governmental activities*-Most basic services, such as public protection, human services, education and culture, transportation, and general government, are included in this category. Income taxes, sales and use taxes, and state and federal grants finance most of these activities.
- *Business-type activities*-Fees are charged to customers to help cover the costs of certain services, such as employment security.
- *Component units*-Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" the Maine Governmental Facilities Authority (MGFA) as a governmental activity as described above. Other component units have been discretely presented and include the following organizations: the Maine Health and Higher Educational Facilities Authority (MHHEFA), the Northern New England Passenger Rail Authority (NNEPRA), The Child Development Services System (CDS), the Finance Authority of Maine (FAME), the Maine Municipal Bond Bank (MMBB), the Maine Educational Loan Authority (MELA), the Maine State Housing Authority (MSHA), the Maine State Retirement System (MSRS), the Maine Maritime Academy (MMA), the Maine Technical College System (MTCS), and the University of Maine System (UMS). See Note 1 to the financial statements for information on how to obtain component unit financial reports.

Net assets of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or

reduce current financial resources. Finally, capital assets and long-term debt are not accounted for in the governmental fund financial statements and do not affect the fund balances.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements
- Certain tax revenues that are earned, but not available, are reported as governmental activities, but are reported as deferred revenue on the governmental fund statements
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements
- Governmental fund long-term liabilities, such as certificates of participation, pension obligations, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements
- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements
- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements
- Net asset balances are allocated as follows:

*Net Assets* invested in capital assets, net of related debt;

*Restricted net assets* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and

*Unrestricted net assets* are net assets that do not meet any of the above restrictions.



## Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds-not the State as a whole. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the general fund, special revenue funds, capital project funds, and permanent funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Proprietary funds:* The proprietary funds generally report services for which customers are charged a fee. Like government-wide statements, proprietary funds provide both long- and short-term financial information. Enterprise funds (one type of proprietary fund) are the same as business-type activities, but provide more detail and additional information, such as cash flows. An example is the State Lottery Fund. Internal service funds (the other type of proprietary fund) report activities that provide services to its other programs and activities – such as the State's Postal, Printing & Supply Fund. Required statements are the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows.
- *Fiduciary funds:* The State is the trustee or *fiduciary* for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The State excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. These funds include pension and other employee benefit trusts administered by the Maine State Retirement System, a discrete component unit. Fiduciary fund reporting focuses on net assets and changes in net assets. These reports are developed using the economic resources measurement focus and the accrual basis of accounting. Required statements are the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets.

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets increased by less than one percent to \$3.2 billion at June 30, 2002, as detailed in Tables A-3 and A-4.

**Table A- 3: Condensed Statement of Net Assets**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
Current and other noncurrent assets	\$ 1,359,027	\$ 486,129	\$ 1,845,156
Capital assets	<u>2,727,184</u>	<u>58,941</u>	<u>2,786,125</u>
Total Assets	<u>4,086,211</u>	<u>545,070</u>	<u>4,631,281</u>
Current liabilities	706,809	19,259	726,068
Long-term liabilities	<u>705,590</u>	<u>472</u>	<u>709,062</u>
Total Liabilities	<u>1,412,399</u>	<u>19,731</u>	<u>1,432,130</u>
Net assets:			
Investment in capital assets, net of related debt	2,424,949	53,679	2,478,628
Restricted	242,976	464,862	707,838
Unrestricted	<u>5,887</u>	<u>6,798</u>	<u>12,685</u>
Total Net Assets	<u>\$ 2,673,812</u>	<u>\$ 525,339</u>	<u>\$ 3,199,151</u>

### Changes in Net Assets

The State's fiscal year 2002 revenues totaled \$5.2 billion. (See Table A-4) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 46.9 percent and 32.8 percent, respectively, of every dollar raised. (See Table A-5) The remainder came from charges for services and other miscellaneous sources.

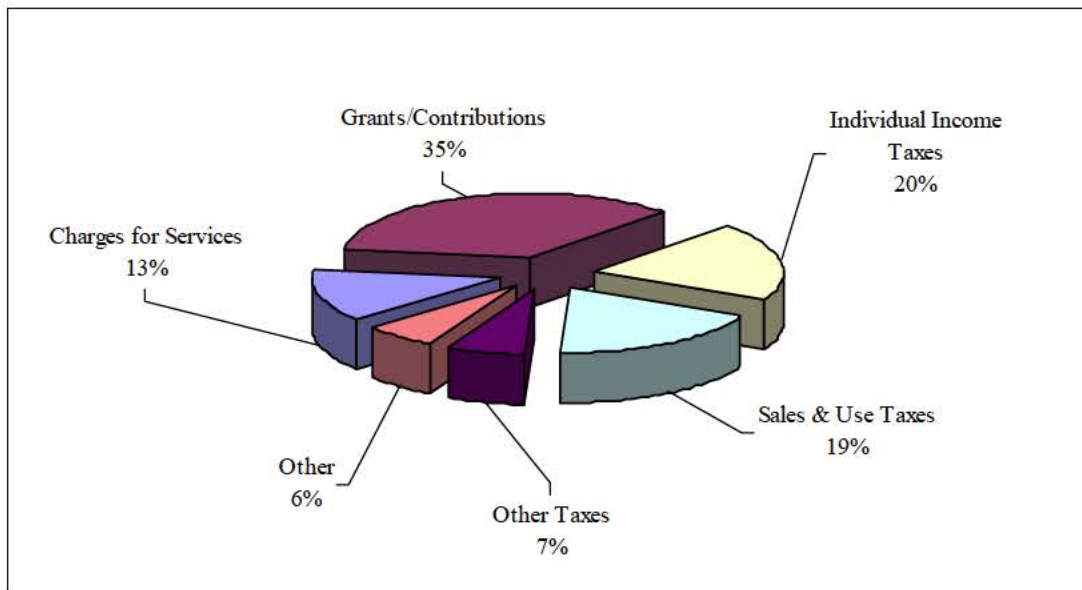
The total cost of all programs and services totaled \$5.2 billion for the year 2002. These expenses (71.4 percent) are predominantly related to education and culture and human services activities. (See Table A-6) The State's general government activities accounted for 8.4 percent of total costs. Total net assets increased by \$9.3 million.

**Table A-4: Changes in Net Assets**  
(Expressed in Thousands)

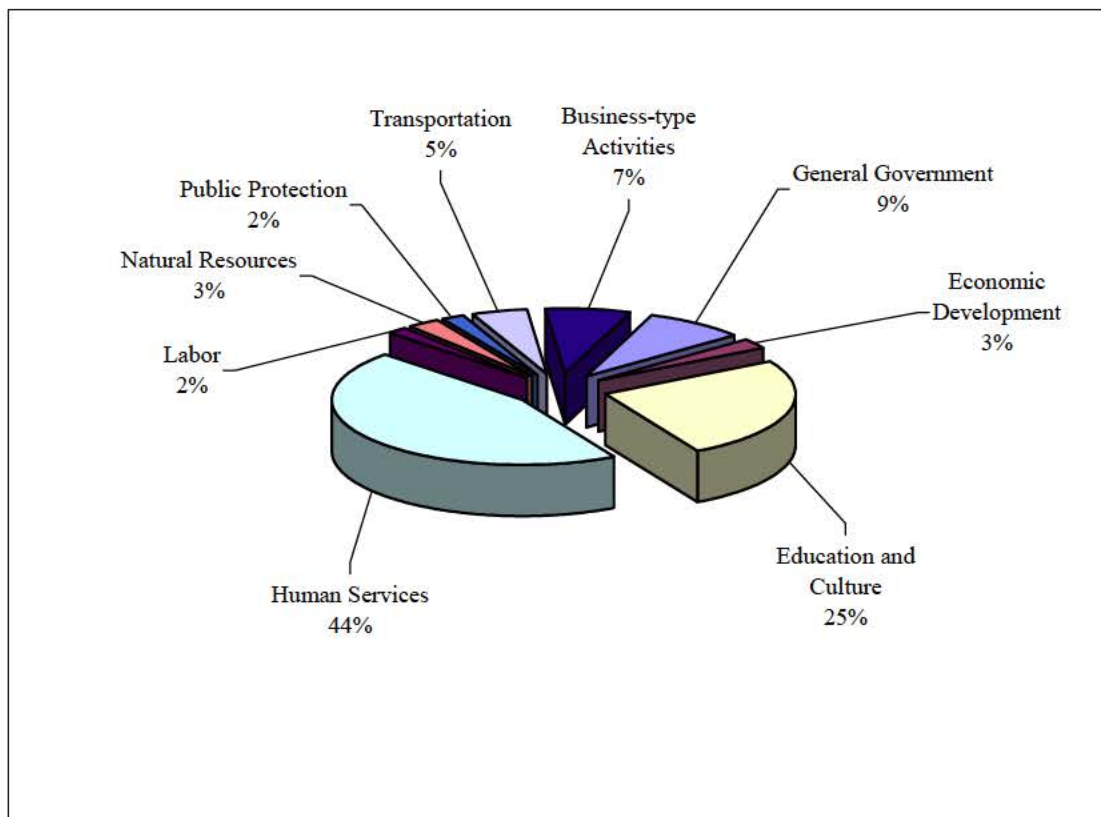
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Primary Government</b>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 301,595	\$ 391,506	\$ 693,101
Grants/Contributions	1,818,541	36,369	1,854,910
General Revenues:			
Corporate Income Taxes	158,493	-	158,493
Individual Income Taxes	1,043,312	-	1,043,312
Fuel Taxes	149,193	-	149,193
Property Taxes	35,546	-	35,546
Sales & Use Taxes	976,618	-	976,618
Other Taxes	63,111	-	63,111
Investment Earnings	8,944	-	8,944
Other	<u>263,742</u>	<u>1,093</u>	<u>264,835</u>
Total Revenues	<u>4,819,095</u>	<u>428,968</u>	<u>5,248,063</u>
<b>Expenses</b>			
Governmental Activities:			
General Government	432,206	-	432,206
Economic Development	131,285	-	131,285
Education and Culture	1,323,259	-	1,323,259
Human Services	2,367,786	-	2,367,786
Labor	92,544	-	92,544
Natural Resources	132,858	-	132,858
Public Protection	108,742	-	108,742
Transportation	240,869	-	240,869
Interest	24,576	-	24,576
Business-Type Activities:			
Employment Security	-	123,606	123,606
Other	<u>-</u>	<u>261,042</u>	<u>261,042</u>
Total Expenses	<u>4,854,125</u>	<u>384,648</u>	<u>5,238,773</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (35,030)</u>	<u>\$ 44,320</u>	<u>\$ 9,290</u>

In tables A-4, A-5 and A-6, \$69.6 million of statutorily required profit transfers are included as other expenses in the business-type activities and other revenues in the governmental activities.

**Table A-5: Total Primary Government Sources of Revenues for Fiscal Year 2002**



**Table A-6: Total Primary Government Expenses for Fiscal Year 2002**



## Governmental Activities

Revenues for the State's governmental activities totaled \$4.82 billion while total expenses equaled \$4.85 billion. Therefore, the decrease in net assets for governmental activities was \$35 million in 2002.

Table A-7 presents the cost of major State governmental activities: general government, economic development, education and culture, human services, labor, natural resources, public protection, transportation, and interest expense. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

**Table A-7: Net Cost of Governmental Activities**  
(Expressed in Thousands)

Category	Total Cost	Net Cost (Revenue)
General Government	\$ 432,206	\$ 355,051
Economic Development	131,285	54,935
Education and Culture	1,323,259	1,191,821
Human Services	2,367,786	996,618
Labor	92,544	16,157
Natural Resources	132,858	54,444
Public Protection	108,742	55,005
Transportation	240,869	(14,618)
Interest	24,576	24,576
Total	<u>\$ 4,854,125</u>	<u>\$ 2,733,989</u>

- The cost of all governmental activities this year was \$4.9 billion.
- The users of the State's programs financed \$301.6 million of the cost.
- The federal and State governments subsidized certain programs with grants and contributions of \$1.9 billion.
- \$2.7 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

## Business-type Activities

Revenues for the State's business-type activities totaled \$428.9 million while total expenses equaled \$384.6 million. Therefore, the increase in net assets for business-type activities was \$44.3 million in 2002.

Table A-8 presents the cost of major State business-type activities: employment security and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

**Table A-8: Net Cost of Business-Type Activities**  
(Expressed in Thousands)

Category	Total Cost	Net Cost (Revenue)
Employment Security	\$ 123,606	\$ (57,012)
Alcoholic Beverages	56,896	(24,724)
Lottery	120,520	(38,613)
Other	<u>13,990</u>	<u>7,486</u>
Total	<u>\$ 315,012</u>	<u>\$ (112,863)</u>

- The cost of all business-type activities this year was \$315 million.
- The users of the State's programs financed all of the cost.
- The State's net revenue from business-type activities was \$112.8 million. \$69.6 million was transferred to the State's governmental activities.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

At the close of the fiscal year, the State reported fund balances of \$509.4 million in its governmental funds. The Other Special Revenue Fund, at \$265.9 million, comprises just over one-half of the total, while the General Fund, at \$20.3 million, the Highway Fund, at \$80.8 million, and the Federal Fund, at \$20.8 million comprise about one-quarter of the total fund balances. Miscellaneous non-major governmental funds, in the aggregate, also comprise about one-quarter of the total. Total fund balances in the governmental funds diminished by \$407.3 million. Almost three-quarters of that decrease occurred in the General Fund, the State's chief operating fund, primarily because of lower tax collections as a result of an economic downturn consistent with the national economic condition.

### **Budgetary Highlights**

Over the course of the fiscal year, the State made significant amendments to the current services budget through legislative action to provide a vehicle to deal with additional needs, changes in expenditure patterns, and changes in revenue expectations. The amendments fell into two major categories:

- The first category amended the current services budget to provide legislative authority to expand existing programs as well as approve new initiatives undertaken by State departments and agencies;
- The second category was an emergency budget adopted by the legislature to account for necessary adjustments to agency budgets and to ensure that State departments and agencies expended funds within adjusted appropriations and allocations.

In April 2002, revenues began to soften as a result of the slowdown of the national economy. When it became apparent that revenues would fall short of requirements to support the level of appropriations and allocations, the Governor issued Executive Order #5 FY01/02, Budget and Expenditure Freeze Order, on May 9, 2002 which limited spending and hiring to emergency needs for the remainder of Fiscal Year 2002. As revenues continued to decline, the Governor issued Executive Order #6 FY01/02 on June 6, 2002 to curtail allotments by approximately \$7.2 million. Overall, budget amendments resulted in a \$67 million reduction of General Fund revenues from the original to the final budget. General Fund revenues fell \$102.5 million short of the revised projections. Consequently, the State of Maine transferred available balances from several other funds to the unappropriated surplus of the General Fund to provided resources to balance the budget. Significant transfers during the fiscal year included: \$94.1 million from the Rainy Day Fund, \$10 million from the Fund for a Healthy Maine, and \$20 million from the Maine Learning Technology Endowment.

During Fiscal Year 2003, the State of Maine, as a component of the legislatively authorized budget, transferred available balances from several other funds to the unappropriated surplus of the General Fund. These transfers provided resources to balance the budget. Significant transfers during the fiscal year included: \$38.5 million from the Rainy Day Fund, \$43.2 million from the Fund for a Healthy Maine, and \$14.6 million from the Maine Learning Technology Endowment.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2002, the State had \$3 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2002, the State acquired or constructed more than \$470 million of capital assets of land, infrastructure, improvements, buildings, equipment, vehicles, and intangibles. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of road and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

**Table A-9: Capital Assets**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 277,900	\$ 6,403	\$ 284,303
Buildings	392,803	16,378	409,181
Equipment	204,608	19,410	224,018
Improvements other than buildings	16,936	44,763	61,699
Infrastructure	2,027,179	-	2,027,179
Construction in Progress	<u>27,267</u>	<u>1,593</u>	<u>28,860</u>
Total Capital Assets	2,946,693	88,547	3,035,240
Accumulated Depreciation	<u>(219,509)</u>	<u>(29,606)</u>	<u>(249,115)</u>
Capital Assets, net	<u>\$ 2,727,184</u>	<u>\$ 58,941</u>	<u>\$ 2,786,125</u>

### Modified Approach for Infrastructure

The State has adopted the modified approach for reporting its highways and bridges. Following this approach, the State does not depreciate infrastructure assets as long as the State uses an asset management system that includes an up-to-date inventory of infrastructure assets, condition assessments that use a measurement scale, and estimates of the annual amount to preserve and maintain the infrastructure at the condition level established by the State. The State must also document that the infrastructure assets are being preserved at or above the condition level established. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,698 highway miles and 17,664 lane miles within the State. Bridges have a deck area of 11 million square feet among 2,960 total bridges.

The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2002, the actual average condition was 76.6. Its policy for bridges is an average



sufficiency rating condition assessment of 60. The actual average condition for bridges was 77 at June 30, 2002.

Preservation costs for fiscal year 2002 totaled \$41.3 million compared to estimated preservation costs of \$41.1 million.

Subsequent to the close of fiscal year 2002, Chapter 38, P&S 2001, which authorized \$61 million of transportation bonds for improvements to highways and bridges, was approved at referendum.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

### Long-Term Debt

At year-end, the State had \$709.8 million in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

**Table A-10: Outstanding Long-Term Debt**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
General Obligation Bonds	\$ 346,495	\$ -	\$ 346,495
Other Long-Term Obligations	<u>362,799</u>	<u>526</u>	<u>363,325</u>
Total	<u>\$ 709,294</u>	<u>\$ 526</u>	<u>\$ 709,820</u>

During the year, the State reduced outstanding long-term obligations of \$87.6 million for outstanding general obligation bonds and \$14.5 million for other long-term debt. Also during fiscal year 2002, the State incurred \$82.3 million of additional long-term obligations.

### Credit Ratings

Three of the major bond rating agencies regularly assess the State's credit rating. During fiscal year 2002, Moody's Investor Service rated the State at Aa2, Standard & Poor's rated it at AA+, and Fitch IBCA, Inc. rated it at AA+.

## **FACTORS BEARING ON THE FUTURE OF STATE AND NEXT YEAR'S BUDGETS**

The economic forecast for the State of Maine is trending toward little or no growth for the first half of 2003. As a result, the projections for employment and income growth are trending downward for 2003. We expect that job growth will decline from the 1.0% estimated growth level to approximately a growth level of .4%. Most significantly, personal income growth has been revised downward by 0.8% from its original estimate for 2002 and by an additional 0.5% for 2003.

The sluggish national economy has impacted Maine's estimated revenues available for appropriation by the legislature. The State has revised its revenue estimates downward several times during the year causing the enactment of three budget amendments to reduce appropriations and allocations, to meet emergency needs in the Department of Corrections, and to make changes in statute to implement revisions to services provided to the public. Revised revenue estimates for the General Fund for 2002 - 2003 are only expected to increase by 2.2%; however, through the month of April our preliminary estimates demonstrate growth amounting to only 1.9%. The major contributors to the sluggish growth rate of revenues include little growth in employment and decline in tax revenue from capital gains, which is a result of the on-going stock market correction, and tax reductions associated with conformity with the federal tax code. The State Budget Office has estimated that the stock market correction has reduced State tax revenues by approximately \$130 million annually.

The revenue estimate for the 2004 – 2005 biennium provides approximately \$4.9 billion in general tax revenues to be available for general purpose spending. This is approximately \$1.2 billion less than what is required to maintain current services levels in the 2004 – 2005 biennium. This will result in an economic and budgetary challenge for the State of Maine.

## **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine  
Bureau of Accounts and Control  
14 State House Station  
Augusta, ME 04333-0014  
207-626-8420  
Bureau.Accounts-Ctrl@maine.gov

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# **BASIC FINANCIAL STATEMENTS**

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# STATE OF MAINE STATEMENT OF NET ASSETS

June 30, 2002  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ 206,438	\$ 2,536	\$ 208,974	\$ 127,002
Cash with Fiscal Agent	25,223	-	25,223	-
Investments	137,213	805	138,018	617,957
Restricted Deposits and Investments	97,861	441,346	539,207	-
Inventories	26,711	2,629	29,340	874
Receivables, Net of Allowance for Uncollectibles:				
Taxes	311,431	-	311,431	-
Loans	-	-	-	63,839
Notes	-	-	-	1,750
Other	169,501	39,702	209,203	48,023
Internal Balances	1,398	(1,398)	-	-
Due from Other Governments	233,768	-	233,768	99,994
Due from Primary Government	-	-	-	10,384
Other Current Assets	2,239	28	2,267	55,914
Total Current Assets	1,211,783	485,648	1,697,431	1,025,737
Noncurrent Assets:				
Due from Other Governments	-	-	-	1,030,039
Assets Held in Trust	-	-	-	155
Restricted Deposits and Investments	-	-	-	158,028
Investments	62,159	474	62,633	375,175
Receivables, Net of Allowance for Uncollectibles:				
Taxes	35,459	-	35,459	-
Loans	8,651	7	8,658	2,190,674
Notes	-	-	-	67,708
Other	40,975	-	40,975	9,286
Other Noncurrent Assets	-	-	-	13,671
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	2,332,346	7,996	2,340,342	179,518
Buildings and Equipment	614,347	80,551	694,898	602,467
Less: Accumulated Depreciation	(219,509)	(29,606)	(249,115)	(326,427)
Capital Assets, Net of Accumulated Depreciation	2,727,184	58,941	2,786,125	455,558
Total Noncurrent Assets	2,874,428	59,422	2,933,850	4,300,294
Total Assets	4,086,211	545,070	4,631,281	5,326,031
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	342,758	10,337	353,095	41,201
Accrued Payroll	38,088	451	38,539	414
Tax Refunds Payable	115,905	-	115,905	-
Due to Other Governments	76,215	-	76,215	6,240
Due to Component Units	12,008	-	12,008	-
Amounts Held under State Loan Programs	-	-	-	25,208
Undistributed Grants and Administrative Funds	-	-	-	3,227
Allowances for Losses on Insured Commercial Loans	-	-	-	6,610
Bonds Payable	85,165	-	85,165	-
Certificates of Participation and Other Financing Arrangements	5,018	-	5,018	-
Obligations Under Capital Leases	-	-	-	174
Accrued Interest	2,883	-	2,883	43,907
Claims Payable	-	-	-	-
Compensated Absences	3,974	54	4,028	314
Deferred Revenue	19,056	359	19,415	52,889
Notes Payable	16	-	16	147,657
Other Accrued Liabilities	5,723	8,058	13,781	35,195
Total Current Liabilities	706,809	19,259	726,068	363,036

The accompanying notes are an integral part of the financial statements.

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Long-Term Liabilities:				
Deferred Revenue	\$ 11,390	\$ -	\$ 11,390	\$ 764
Certificates of Participation and Other Financing Arrangements	17,608	-	17,608	-
Bonds Payable	452,976	-	452,976	3,556,208
Obligations Under Capital Leases	34,105	-	34,105	4,724
Claims Payable	79,063	-	79,063	-
Compensated Absences Payable	34,349	472	34,821	-
Due to Other Governments	-	-	-	5,142
Amounts Held Under State Loan Programs	-	-	-	42,540
Rebate Payable to IRS -Arbitrage Earnings	-	-	-	-
Pension Obligation	76,099	-	76,099	-
Other Liabilities	-	-	-	56,461
Total Long-Term Liabilities	<u>705,590</u>	<u>472</u>	<u>706,062</u>	<u>3,665,839</u>
Total Liabilities	<u>1,412,399</u>	<u>19,731</u>	<u>1,432,130</u>	<u>4,028,875</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,424,949	53,679	2,478,628	371,493
Restricted:				
Highway Fund Purposes	78,070	-	78,070	-
Federal Programs	20,836	-	20,836	-
Natural Resources	21,683	-	21,683	-
Capital Projects and Debt Service	62,902	-	62,902	-
Unemployment Compensation	-	464,862	464,862	-
Other Purposes	-	-	-	756,107
Funds Held as Permanent Investments:				
Expendable	49,213	-	49,213	-
Nonexpendable	10,272	-	10,272	-
Unrestricted	5,887	6,798	12,685	169,556
Total Net Assets	<u>\$ 2,673,812</u>	<u>\$ 525,339</u>	<u>\$ 3,199,151</u>	<u>\$ 1,297,156</u>

# STATE OF MAINE STATEMENT OF ACTIVITIES

June 30, 2002  
(Expressed in Thousands)

		Program Revenues		
		Charges	Operating	Capital
	Expenses	For Services	Grants/ Contributions	Grants/ Contributions
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 432,206	\$ 65,882	\$ 11,273	\$ -
Economic Development	131,285	54,042	22,308	-
Education And Culture	1,323,259	2,062	129,376	-
Human Services	2,367,786	10,606	1,360,562	-
Labor	92,544	2,245	74,142	-
Natural Resources	132,858	54,921	23,493	-
Public Protection	108,742	15,380	38,357	-
Transportation	240,869	96,457	7,001	152,029
Interest Expense	24,576	-	-	-
Total Governmental Activities	4,854,125	301,595	1,666,512	152,029
Business-Type Activities:				
Employment Security	123,606	146,297	34,321	-
Alcoholic Beverages	56,896	81,620	-	-
Lottery	120,520	159,133	-	-
Other	13,990	4,456	-	2,048
Total Business-Type Activities	315,012	391,506	34,321	2,048
Total Primary Government	\$ 5,169,137	\$ 693,101	\$ 1,700,833	\$ 154,077
<b>Component Units:</b>				
Child Development Services	\$ 21,558	\$ 3,983	\$ 3,942	\$ -
Finance Authority of Maine	25,252	3,286	23,338	-
Maine Educational Loan Authority	4,412	3,582	1,621	-
Maine Health And Higher Educational Facilities Authority	109,882	58,256	9,424	-
Maine Maritime Academy	19,126	7,919	1,282	1,486
Maine Municipal Bond Bank	69,293	51,512	12,083	34,197
Maine State Housing Authority	208,654	93,874	133,095	-
Maine Technical College System	76,745	14,912	17,884	16,413
Northern New England Passenger Rail Authority	6,862	88	2,720	8,196
University of Maine System	502,401	186,567	118,655	6,341
Total Component Units	\$ 1,044,185	\$ 423,979	\$ 324,044	\$ 66,633
General revenues:				
Taxes:				
Corporate				
Individual Income				
Fuel				
Property				
Sales & Use				
Other				
Assessments				
Unrestricted Investment Earnings				
Nonprogram-specific Grants, Contributions & Appropriations				
Miscellaneous Income				
Loss on Assets Held For Sale				
Tobacco Settlement				
Extraordinary Item - Loss on Bond Redemption				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (Restated)				
Net Assets - Ending				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Units
\$ (355,051)	\$ -	\$ (355,051)	\$ -
(54,935)	-	(54,935)	-
(1,191,821)	-	(1,191,821)	-
(996,618)	-	(996,618)	-
(16,157)	-	(16,157)	-
(54,444)	-	(54,444)	-
(55,005)	-	(55,005)	-
14,618	-	14,618	-
(24,576)	-	(24,576)	-
<u>(2,733,989)</u>	<u>-</u>	<u>(2,733,989)</u>	<u>-</u>
-	57,012	57,012	-
-	24,724	24,724	-
-	38,613	38,613	-
-	(7,486)	(7,486)	-
-	<u>112,863</u>	<u>112,863</u>	<u>-</u>
<u>(2,733,989)</u>	<u>112,863</u>	<u>(2,621,126)</u>	<u>-</u>
-	-	-	(13,633)
-	-	-	1,372
-	-	-	791
-	-	-	(42,202)
-	-	-	(8,439)
-	-	-	28,499
-	-	-	18,315
-	-	-	(27,536)
-	-	-	4,142
-	-	-	(190,838)
-	-	-	<u>(229,529)</u>
158,493	-	158,493	-
1,043,312	-	1,043,312	-
149,193	-	149,193	-
35,546	-	35,546	-
976,618	-	976,618	-
63,111	-	63,111	-
-	-	-	-
8,944	-	8,944	8,107
-	-	-	250,193
81,981	1,093	83,074	4,530
-	-	-	(1,302)
112,125	-	112,125	-
-	-	-	(900)
<u>69,636</u>	<u>(69,636)</u>	<u>-</u>	<u>-</u>
<u>2,698,959</u>	<u>(68,543)</u>	<u>2,630,416</u>	<u>260,628</u>
(35,030)	44,320	9,290	31,099
<u>2,708,842</u>	<u>481,019</u>	<u>3,189,861</u>	<u>1,266,057</u>
<u>\$ 2,673,812</u>	<u>\$ 525,339</u>	<u>\$ 3,199,151</u>	<u>\$ 1,297,156</u>





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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

General Fund – This is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway and Federal Funds.

## NON-MAJOR FUNDS

Other *Non-major Special Revenue Funds* are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.

Non-major governmental funds are presented, by fund type, beginning on page 92.

**STATE OF MAINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2002  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Totals Governmental Funds
<b>Assets</b>						
Current Assets:						
Cash and Short-Term Investments	\$ 9,836	\$ 49,264	\$ -	\$ 87,216	\$ 7,007	\$ 153,323
Cash with Fiscal Agent	9,376	7,027	-	8,063	-	24,466
Investments	1,069	20,029	1,105	41,471	51,907	115,581
Restricted Deposits and Investments	8,467	-	-	-	54,232	62,699
Inventories	2	2	22,547	-	-	22,551
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	291,214	19,232	-	985	-	311,431
Other Receivable	55,525	2,053	38,981	63,323	-	159,882
Due from Other Funds	9,600	259	31,393	120,849	-	162,101
Due from Other Governments	-	-	233,768	-	-	233,768
Other Current Assets	1,155	26	1	-	-	1,182
Total Current Assets	<u>386,244</u>	<u>97,892</u>	<u>327,795</u>	<u>321,907</u>	<u>113,146</u>	<u>1,246,984</u>
Noncurrent Assets						
Investments	630	11,799	651	24,431	11,905	49,416
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	35,459	-	-	-	-	35,459
Loans Receivable	1	202	-	8,448	-	8,651
Other Receivable	-	-	-	40,975	-	40,975
Working Capital Advances Receivable	1,286	2,199	-	-	-	3,485
Total Noncurrent Assets	<u>37,376</u>	<u>14,200</u>	<u>651</u>	<u>73,854</u>	<u>11,905</u>	<u>137,986</u>
Total Assets	<u>\$ 423,620</u>	<u>\$ 112,092</u>	<u>\$ 328,446</u>	<u>\$ 395,761</u>	<u>\$ 125,051</u>	<u>\$ 1,384,970</u>
<b>Liabilities and Fund Balances</b>						
Current Liabilities:						
Accounts Payable	\$ 113,704	\$ 16,290	\$ 192,487	\$ 9,222	\$ 1,039	\$ 332,742
Accrued Payroll	18,406	5,723	6,812	5,804	-	36,745
Tax Refunds Payable	115,905	-	-	-	-	115,905
Due to Other Governments	-	-	59,913	16,302	-	76,215
Due to Other Funds	110,754	3,711	20,702	33,720	-	168,887
Due to Component Units	2,967	324	4,538	2,138	2,041	12,008
Compensated Absences	1,980	713	588	553	-	3,834
Deferred Revenue	-	-	22,568	55,807	567	78,942
Notes Payable	5	11	-	-	-	16
Other Accrued Liabilities	2,014	167	2	221	2	2,406
Total Current Liabilities	<u>365,735</u>	<u>26,939</u>	<u>307,610</u>	<u>123,767</u>	<u>3,649</u>	<u>827,700</u>
Long-Term Liabilities:						
Working Capital Advances Payable	-	-	-	175	-	175
Deferred Revenue	37,559	4,350	-	5,836	-	47,745
Total Long-Term Liabilities	<u>37,559</u>	<u>4,350</u>	<u>-</u>	<u>6,011</u>	<u>-</u>	<u>47,920</u>
Total Liabilities	<u>403,294</u>	<u>31,289</u>	<u>307,610</u>	<u>129,778</u>	<u>3,649</u>	<u>875,620</u>
Fund Balances:						
Reserved						
Continuing Appropriations	90,783	81,895	80,556	264,277	30,433	547,944
Rainy Day Fund	32,914	-	-	-	-	32,914
Debt Service	9,376	3,305	-	-	-	12,681
Capital Projects	-	-	-	-	31,541	31,541
Permanent Trusts	-	-	-	-	10,272	10,272
Other	23,422	2,400	-	1	49,156	74,979
Unreserved	(136,169)	(6,797)	(59,720)	1,705	-	(200,981)
Total Fund Balances	<u>20,326</u>	<u>80,803</u>	<u>20,836</u>	<u>265,983</u>	<u>121,402</u>	<u>509,350</u>
Total Liabilities and Fund Balances	<u>\$ 423,620</u>	<u>\$ 112,092</u>	<u>\$ 328,446</u>	<u>\$ 395,761</u>	<u>\$ 125,051</u>	<u>\$ 1,384,970</u>

The accompanying notes are an integral part of the financial statements.

# STATE OF MAINE

## RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2002  
(Expressed in Thousands)

Total fund balances for governmental funds	\$	509,350
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets that were acquired in current & prior periods are recognized as governmental fund economic resources net of accumulated depreciation.	2,762,321	
Less: Accumulated depreciation	<u>(120,342)</u>	2,641,979
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. The balances at the beginning of the fiscal year were recorded as follows:		
Bonds Payable	(406,490)	
Certificates of Participation and Other Financing Arrangements	(550)	
Compensated Absences	(30,979)	
Pension Obligation	<u>(75,341)</u>	(513,360)
Current year additions to compensated absences are recognized as a liability when the expense is incurred under full-accrual accounting.		(2,163)
Current year bond issue proceeds are recognized as additions to long-term liabilities and are not reported as revenue in the Statement of Net Assets.		(27,610)
Principal payments on bond indebtedness are recognized as reductions of long-term liabilities and are not reported as expenditures in the Statement of Net Assets.		87,605
Principal payments on other financing arrangements are recognized as reductions of long-term liabilities and are not reported as expenditures in the Statement of Net Assets.		188
Current year proceeds from other financing arrangements are recognized as additions to long-term liabilities and are not reported as revenue in the Statement of Net Assets.		(5,000)
Interest payable at June 30, 2002 is recognized in the Statement of Net Assets under full-accrual accounting. No accrual is recorded in the governmental fund statements for interest that was not paid from current financial resources.		(2,883)
Current year additions to pension obligations are recognized as a liability when the obligation is incurred under full-accrual accounting.		(758)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		99,769
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(113,305)
Net assets of governmental activities	\$	<u><u>2,673,812</u></u>

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Totals Governmental Funds
Revenues:						
Taxes	\$ 2,173,345	\$ 183,759	\$ 3	\$ 60,351	\$ -	\$ 2,417,458
Assessments and Other Revenues	61,685	91,723	2	59,367	-	212,777
Federal Grants and Reimbursements	21,578	-	1,814,183	1,586	-	1,837,347
Service Charges	41,111	2,777	6,596	91,100	-	141,584
Investment Income (Loss)	3,830	2,857	2,296	536	(3,097)	6,422
Miscellaneous Revenues	457	2,931	3,703	82,798	1,432	91,321
Total Revenues	2,302,006	284,047	1,826,783	295,738	(1,665)	4,706,909
Expenditures:						
Current:						
General Government	277,640	30,518	10,754	156,489	6,454	481,855
Economic Development	61,348	-	24,606	46,116	1,250	133,320
Education and Culture	1,157,639	-	129,972	5,384	32,264	1,325,259
Human Services	927,868	-	1,387,147	126,830	2,104	2,443,949
Labor	14,729	-	74,181	3,281	-	92,191
Natural Resources	51,439	30	22,388	55,287	7,457	136,601
Public Protection	24,941	25,505	35,528	23,048	-	109,022
Transportation	9,308	215,870	147,023	10,201	11,583	393,985
Debt Service:						
Principal Payments	64,305	23,300	-	-	-	87,605
Interest Payments	15,479	5,300	-	-	-	20,779
Total Expenditures	2,604,696	300,523	1,831,599	426,636	61,112	5,224,566
Revenues over (under) Expenditures	(302,690)	(16,476)	(4,816)	(130,898)	(62,777)	(517,657)
Other Financing Sources (Uses):						
Transfers from Other Funds	128,126	1,778	14,168	146,512	899	291,483
Transfers to Other Funds	(124,836)	(2,610)	(15,350)	(40,785)	(30,236)	(213,817)
Bonds Issued	-	5,000	-	-	27,610	32,610
Net Other Financing Sources (Uses)	3,290	4,168	(1,182)	105,727	(1,727)	110,276
Revenues and Other Sources over (under) Expenditures and Other Uses	(299,400)	(12,308)	(5,998)	(25,171)	(64,504)	(407,381)
Fund Balances at Beginning of Year (As Restated)	319,726	93,111	26,834	291,154	185,906	916,731
Fund Balances at End of Year	\$ 20,326	\$ 80,803	\$ 20,836	\$ 265,983	\$ 121,402	\$ 509,350

The accompanying notes are an integral part of the financial statements.

# STATE OF MAINE

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2002  
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	(407,381)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	262,764	
Depreciation expense	<u>(24,541)</u>	238,223
Current year additions to compensated absences are recognized as a liability when the expense is incurred under full-accrual accounting.		(2,163)
Current year bond issue proceeds are recognized as additions to long-term liabilities and are not reported as revenue in the Statement of Activities.		(27,610)
Principal payments on bond indebtedness are recognized as reductions of long-term liabilities and are not reported as expenditures in the Statement of Activities.		87,605
Principal payments on other financing arrangements are recognized as reductions of long-term liabilities and are not reported as expenditures in the Statement of Activities.		188
Current year proceeds from other financing arrangements are recognized as additions to long-term liabilities and are not reported as revenue in the Statement of Activities.		(5,000)
Interest payable at June 30, 2002 is recognized in the Statement of Activities under full-accrual accounting. No accrual is recorded in the governmental fund statements for interest that was not paid from current financial resources.		(2,883)
Interest payable at June 30, 2001 is recognized in the governmental fund statements when paid. Under full accrual accounting, this amount was recognized in the Statement of Activities in the period incurred.		3,899
Current year additions to pension obligations are recognized as an expense when the obligation is incurred under full-accrual accounting.		(758)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		64,155
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		16,695
Changes in net assets of governmental activities	\$	<u>(35,030)</u>

The accompanying notes are an integral part of the financial statements.



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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

Unemployment Compensation Fund - This fund accounts for unemployment insurance contributions from employers and the payment of unemployment benefits to eligible claimants.

## NON-MAJOR FUNDS

Other *Non-Major Enterprise Funds* are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

Non-major enterprise funds are presented beginning on page 103.

Combining fund statements for the internal service funds, whose combined totals are presented on this statement, begin on page 111.

**STATE OF MAINE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major Employment Security	Non-Major Other Enterprise	Totals	
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ -	\$ 2,536	\$ 2,536	\$ 53,115
Cash with Fiscal Agent	-	-	-	757
Investments	-	805	805	21,632
Restricted Deposits and Investments	441,346	-	441,346	35,162
Inventories	-	2,629	2,629	4,160
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	29,478	10,224	39,702	9,619
Due from Other Funds	28	574	602	10,751
Other Current Assets	-	28	28	1,057
Total Current Assets	<u>470,852</u>	<u>16,796</u>	<u>487,648</u>	<u>136,253</u>
Noncurrent Assets				
Investments	-	474	474	12,743
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	7	7	183,781
Fixed Assets - Net of Depreciation	-	58,941	58,941	85,204
Total Noncurrent Assets	<u>-</u>	<u>59,422</u>	<u>59,422</u>	<u>281,728</u>
Total Assets	<u>\$ 470,852</u>	<u>\$ 76,218</u>	<u>\$ 547,070</u>	<u>\$ 417,981</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 4,375	\$ 5,966	\$ 10,341	\$ 10,015
Accrued Payroll	-	451	451	1,343
Due to Other Funds	1,046	340	1,386	3,181
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	4,851
Compensated Absences	-	54	54	1,347
Deferred Revenue	-	359	359	2,324
Other Accrued Liabilities	569	7,483	8,052	3,315
Total Current Liabilities	<u>5,990</u>	<u>14,653</u>	<u>20,643</u>	<u>26,376</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	1,000	1,000	2,310
Deferred Revenue	-	-	-	1,204
Noncurrent Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	12,413
Revenue Bonds Payable	-	-	-	191,646
Obligations Under Capital Leases	-	-	-	34,105
Claims Payable	-	-	-	79,063
Compensated Absences	-	472	472	-
Total Long-Term Liabilities	<u>-</u>	<u>1,472</u>	<u>1,472</u>	<u>320,741</u>
Total Liabilities	<u>5,990</u>	<u>16,125</u>	<u>22,115</u>	<u>347,117</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	53,679	53,679	26,802
Restricted For:				
Unemployment Compensation	464,862	-	464,862	-
Other Purposes	-	-	-	44,062
Unrestricted	-	6,414	6,414	-
Total Net Assets	<u>\$ 464,862</u>	<u>\$ 60,093</u>	<u>\$ 524,955</u>	<u>\$ 70,864</u>
Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities			\$ 384	
Net Assets of Business-Type Activities			<u>\$ 525,339</u>	

The accompanying notes are an integral part of the financial statements.



**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major	Non-Major		Internal
	Employment	Other		Service
	Security	Enterprise	Totals	Funds
Operating Revenues				
Charges for Services	\$ -	\$ 245,209	\$ 245,209	\$ 298,126
Assessments	119,773	-	119,773	-
Miscellaneous Revenues	35 351	1	35 352	569
Total Operating Revenues	155,124	245,210	400,334	298,695
Operating Expenses				
General Operations	-	188,084	188,084	243,356
Depreciation	-	3,708	3,708	14,836
Claims/Fees Expense	123,606	-	123,606	10,581
Other Operating Expenses	-	-	-	1,375
Total Operating Expenses	123,606	191,792	315,398	270,148
Operating Income (Loss)	31,518	53,418	84,936	28,547
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	26,123	-	26,123	1,861
Interest Expense	-	-	-	(14,690)
Other Nonoperating Revenues (Expenses) - net	-	464	464	482
Total Nonoperating Revenues (Expenses)	26,123	464	26,587	(12,347)
Income (Loss) Before Capital Contributions and Transfers	57,641	53,882	111,523	16,200
Capital Contributions and Transfers				
Capital Contributions from Other Funds	-	2,048	2,048	(21)
Transfers from (to) Other Funds	314	(69,950)	(69,636)	-
Total Capital Contributions and Transfers In (Out)	314	(67,902)	(67,588)	(21)
Change in Net Assets	57,955	(14,020)	43,935	16,179
Total Net Assets - Beginning of Year	406,907	74,113	481,020	54,685
Total Net Assets - End of Year	\$ 464 862	\$ 60 093	\$ 524 955	\$ 70 864
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			\$ 384	
Change in Business-Type Net Assets			\$ 525,339	

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major Employment Security	Non-Major Other Enterprise	Totals	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 166,308	\$ 255,508	\$ 421,816	\$ 292,164
Payments of Benefits	(121,377)	-	(121,377)	-
Payments to Prize Winners	-	(94,199)	(94,199)	-
Payments to Suppliers	-	(86,671)	(86,671)	(253,897)
Payments to Employees	-	(9,208)	(9,208)	(26,943)
Net Cash Provided (Used) by Operating Activities	44,931	65,430	110,361	11,324
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers in	314	3,134	3,448	315
Operating Transfers out	-	(68,085)	(68,085)	(1,613)
Net Cash Provided (Used) by Noncapital Financing Activities	314	(64,951)	(64,637)	(1,298)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(3,754)	(3,754)	(23,104)
Capital Contributions	-	(1,365)	(1,365)	689
Proceeds from Financing Arrangements	-	-	-	40,508
Principal and Interest Paid on Financing Arrangements	-	-	-	(15,863)
Proceeds from Sale of Capital Assets	-	140	140	(1,855)
Net Cash Provided (Used) by Capital Financing Activities	-	(4,979)	(4,979)	375
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	26,123	465	26,588	4,320
Payments to Purchase Investments	-	(95)	(95)	(6,921)
Proceeds from Sale of Investments	-	1,809	1,809	2,633
Net Cash Provided (Used) by Investing Activities	26,123	2,179	28,302	32
Net Increase (Decrease) in Cash/Cash Equivalents	71,368	(2,321)	69,047	10,433
Cash/Cash Equivalents - Beginning of Year	369,978	4,857	374,835	78,601
Cash/Cash Equivalents - End of Year	\$ 441,346	\$ 2,536	\$ 443,882	\$ 89,034
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 31,518	\$ 53,418	\$ 84,936	\$ 28,547
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	3,708	3,708	14,836
Decrease (Increase) in Assets				
Accounts Receivable	12,518	9,307	21,825	(30,091)
Interfund Balances	(966)	(115)	(1,081)	1,565
Inventories	-	1,107	1,107	756
Increase (Decrease) in Liabilities				
Accounts Payable	1,392	(2,584)	(1,192)	(3,745)
Accrued Payroll Expenses	-	(48)	(48)	(182)
Change in Compensated Absences	-	11	11	173
Other Accruals	468	626	1,094	(535)
Total Adjustments	13,413	12,012	25,425	(17,223)
Net Cash Used by Operating Activities	\$ 44,931	\$ 65,430	\$ 110,361	\$ 11,324

The accompanying notes are an integral part of the financial statements.

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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*Pension (and Other Employee Benefit) Trusts* – accounts for funds held by the Maine State Retirement System (MSRS), a discrete component unit included with Fiduciary Funds per GASB Statement No. 34. MSRS provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 250 local municipalities and other public entities in Maine.

Other *Private-Purpose Trusts* and *Agency Funds* are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds.

Individual fund descriptions and combining fund statements for fiduciary funds, whose combined totals are presented on this statement, begin on the following pages:

Private Purpose Trust Funds, page 120

Agency Funds, page 122

**STATE OF MAINE**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency
<b>Assets</b>			
Cash and Short-Term Investments	\$ 136,041	\$ 376	\$ 5,569
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	8,609	-	-
Interest and Dividends	14,565	-	-
Due from Brokers for Securities Sold	58,287	-	-
Investments at Fair Value:			
Debt Securities	889,485	-	-
Equity Securities	1,178,841	-	-
Common/Collective Trusts	4,442,704	-	-
Other	7,770	8,466	2,476
Securities Lending Collateral	390,370	-	-
Assets Held in Trust	-	4,587	1,254,309
Fixed Assets - Net of Depreciation	599	-	-
Total Assets	<u>\$ 7,127,271</u>	<u>\$ 13,429</u>	<u>\$ 1,262,354</u>
<b>Liabilities</b>			
Accounts Payable	\$ 10,974	\$ 4	\$ 39
Due to Brokers for Securities Purchased	84,398	-	-
Agency Liabilities	-	-	1,262,300
Obligations Under Securities Lending	390,370	-	-
Other Accrued Liabilities	9,227	4,034	15
Total Liabilities	<u>\$ 494,969</u>	<u>\$ 4,038</u>	<u>\$ 1,262,354</u>
<b>Net Assets</b>			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	6,632,302	9,391	
Total Net Assets	<u>\$ 6,632,302</u>	<u>\$ 9,391</u>	

The accompanying notes are an integral part of the financial statements.

**STATE OF MAINE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
<b>Additions</b>		
Contributions:		
Members	\$ 130,263	\$ -
State and Local Agencies	423,858	-
Investment Income:		
Net Increase (Decrease) in the Fair Value of Investments	(609,309)	(1,733)
Interest and Dividends	89,609	1,094
Less Investment Expense:		
Investment Activity Expense	8,711	-
Cost of Securities Lending	1,660	-
Net Investment Income (Loss)	(530,071)	(639)
Miscellaneous Revenues	-	6,992
Transfers In	-	483
<b>Total Additions</b>	<b>24,050</b>	<b>6,836</b>
<b>Deductions</b>		
Benefits Paid to Participants or Beneficiaries	396,398	2,741
Refunds and Withdrawals	15,822	-
Administrative Expenses	8,307	-
Transfers Out	-	8,513
<b>Total Deductions</b>	<b>420,527</b>	<b>11,254</b>
<b>Net Increase (Decrease)</b>	<b>(396,477)</b>	<b>(4,418)</b>
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	7,028,779	13,809
End of Year	<u>\$ 6,632,302</u>	<u>\$ 9,391</u>

The accompanying notes are an integral part of the financial statements.



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# COMPONENT UNIT FINANCIAL STATEMENTS

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*Child Development Services System (CDS)* – CDS maintains a coordinated service delivery system for the provision of childfind activities for children, from birth to under age six, early intervention services for eligible children, from birth to under age three, and free, appropriate and public education services for eligible children, from age three to under age six, who have a disability.

*Finance Authority of Maine (FAME)* – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. Additionally, the Authority administers the Maine College Savings Program Fund. The NextGen College Investing Plan is the primary program of the Maine College Savings Program Fund.

*Maine Educational Loan Authority (MELA)* – The Authority was created to grant educational loans primarily using funds acquired through issuance of long-term bonds payable.

*Maine Health and Higher Educational Facilities Authority (MHHEFA)* – The Authority assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction, and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, also has the power to finance student loan programs of institutions of higher education.

*Maine Maritime Academy (MMA)* – The Academy is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government.

*Maine Municipal Bond Bank (MMBB)* – The Bond Bank is authorized to issue bonds providing funds to counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations within the State.

*Maine State Housing Authority (MSHA)* – The Authority is authorized to issue bonds for the purchase of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs, and collecting and disbursing federal rent subsidies for low income housing.

*Maine Technical College System (MTCS)* – The System is Maine’s primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

*Northern New England Passenger Rail Authority (NNEPRA)* – The Authority initiates, establishes and maintains regularly scheduled passenger rail service between points within Maine to points within and outside of Maine.

*University of Maine System (UMS)* – The State University consists of seven campuses and a central administrative office.

**STATE OF MAINE**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**

June 30, 2002  
(Expressed in Thousands)

	Child Development Services	Finance Authority of Maine	Maine Educational Loan Authority	Maine Health and Higher Educational Facilities Authority
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 19,240	\$ 2,193	\$ 84,643
Investments	3,580	5,001	-	30,187
Inventories	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	5,345	33,115
Notes Receivable	-	1,750	-	-
Other Receivable	101	691	417	851
Due from Other Governments	-	-	-	-
Due from Primary Government	1,179	-	-	-
Other Current Assets	57	358	91	972
Total Current Assets	4,917	27,040	8,046	149,768
Noncurrent Assets:				
Assets Held in Trust	-	-	-	-
Restricted Deposits and Investments	-	8,501	-	-
Investments	-	15,333	19,239	88,236
Receivables, Net of Current Portion:				
Loans Receivable	-	-	40,462	884,057
Notes Receivable	-	27,162	-	3,175
Other Receivable	-	-	-	1,145
Due from Other Governments	-	-	-	-
Fixed Assets - Net of Depreciation	635	2,088	-	4,327
Other Noncurrent Assets	-	-	341	739
Total Noncurrent Assets	635	53,084	60,042	981,679
Total Assets	5,552	80,124	68,088	1,131,447
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,830	1,494	60	728
Accrued Payroll	284	-	-	130
Compensated Absences	314	-	-	-
Due to Other Governments	-	-	-	863
Amounts Held under State Loan Programs	-	-	-	-
Undisbursed Grant and Administrative Funds	-	3,227	-	-
Allowance for Losses on Insured Commercial Loans	-	6,610	-	-
Bonds and Notes Payable	-	51	1,739	35,417
Obligations under Capital Leases	3	-	-	-
Interest Payable	-	-	-	23,539
Deferred Revenue	106	1,015	258	2,217
Other Accrued Liabilities	-	192	372	1,529
Total Current Liabilities	2,537	12,589	2,429	64,423
Long-term Liabilities:				
Due to Other Governments	-	-	-	1,401
Bonds and Notes Payable	-	1,243	62,446	974,765
Amounts Held under State Loan Programs	-	42,540	-	-
Obligations Under Capital Leases	14	-	-	-
Deferred Revenue	-	-	764	-
Other Liabilities	-	-	277	-
Total Long-term Liabilities	14	43,783	63,487	976,166
Total Liabilities	2,551	56,372	65,916	1,040,589
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	512	2,088	-	-
Restricted	-	365	1,308	76,788
Unrestricted	2,489	21,299	864	14,070
Total Net Assets	\$ 3,001	\$ 23,752	\$ 2,172	\$ 90,858

The accompanying notes are an integral part of the financial statements.



Maine Maritime Academy	Maine Municipal Bond Bank	Maine State Housing Authority	Maine Technical College System	Northern New England Passenger Rail Authority	University of Maine System	Totals
\$ 280	\$ 457	\$ 921	\$ (2,760)	\$ 929	\$ 21,099	\$ 127,002
4,784	159,531	303,365	16,779	319	94,411	617,957
174	-	-	636	64	-	874
183	-	25,196	-	-	-	63,839
-	-	-	-	-	-	1,750
1,725	2,021	19,101	2,829	-	20,287	48,023
-	97,966	1,117	-	911	-	99,994
-	1,642	-	1,045	-	6,518	10,384
657	48,614	-	320	47	4,798	55,914
7,803	310,231	349,700	18,849	2,270	147,113	1,025,737
155	-	-	-	-	-	155
2,424	-	-	581	4,800	141,722	158,028
7,966	113,230	119,609	6,422	-	5,140	375,175
3,015	-	1,263,140	-	-	-	2,190,674
-	-	-	-	-	37,371	67,708
993	-	876	-	-	6,272	9,286
-	1,030,039	-	-	-	-	1,030,039
13,288	921	-	76,195	1,109	356,995	455,558
4,849	1,311	5,089	-	-	1,342	13,671
32,690	1,145,501	1,388,714	83,198	5,909	548,842	4,300,294
40,493	1,455,732	1,738,414	102,047	8,179	695,955	5,326,031
2,511	490	18,948	1,868	1,917	11,355	41,201
-	-	-	-	-	-	414
-	-	-	-	-	-	314
-	1,724	3,653	-	-	-	6,240
-	25,208	-	-	-	-	25,208
-	-	-	-	-	-	3,227
-	-	-	-	-	-	6,610
83	82,940	23,030	85	-	4,312	147,657
-	-	-	-	-	171	174
-	9,095	11,273	-	-	-	43,907
118	-	29,993	792	-	18,390	52,889
312	478	1,304	7,210	-	23,798	35,195
3,024	119,935	88,201	9,955	1,917	58,026	363,036
1,594	2,147	-	-	-	-	5,142
2,720	969,634	1,418,711	145	-	126,544	3,556,208
-	-	-	-	-	-	42,540
-	-	-	4,490	-	220	4,724
-	-	-	-	-	-	764
-	-	-	-	-	56,184	56,461
4,314	971,781	1,418,711	4,635	-	182,948	3,665,839
7,338	1,091,716	1,506,912	14,590	1,917	240,974	4,028,875
10,408	-	-	72,056	1,109	285,320	371,493
14,444	314,893	213,769	6,135	4,800	123,605	756,107
8,303	49,123	17,733	9,266	353	46,056	169,556
\$ 33,155	\$ 364,016	\$ 231,502	\$ 87,457	\$ 6,262	\$ 454,981	\$ 1,297,156

# STATE OF MAINE

## STATEMENT OF ACTIVITIES

### COMPONENT UNITS

June 30, 2002  
(Expressed in Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants/ Contributions</u>	<u>Capital Grants/ Contributions</u>	
Child Development Services	\$ 21,558	\$ 3,983	\$ 3,942	\$ -	\$ (13,633)
Finance Authority of Maine	25,252	3,286	23,338	-	1,372
Maine Educational Loan Authority	4,412	3,582	1,621	-	791
Maine Health and Higher Educational Facilities Authority	109,882	58,256	9,424	-	(42,202)
Maine Maritime Academy	19,126	7,919	1,282	1,486	(8,439)
Maine Municipal Bond Bank	69,293	51,512	12,083	34,197	28,499
Maine State Housing Authority	208,654	93,874	133,095	-	18,315
Maine Technical College System	76,745	14,912	17,884	16,413	(27,536)
Northern New England Passenger Rail Authority	6,862	88	2,720	8,196	4,142
University of Maine System	502,401	186,567	118,655	6,341	(190,838)
Total	<u>\$ 1,044,185</u>	<u>\$ 423,979</u>	<u>\$ 324,044</u>	<u>\$ 66,633</u>	<u>\$ (229,529)</u>
General Revenues:					
Unrestricted Interest and Investment Earnings					8,107
Non program Specific Grants, Contributions, & Appropriations					250,193
Miscellaneous Income					4,530
Loss on Assets Held for Sale					(1,302)
Extraordinary Item - Loss on Bond Redemption					(900)
Total General Revenues and Extraordinary Items					<u>260,628</u>
Change in Net Assets					31,099
Net Assets, Beginning of the Year, As Restated					<u>1,266,057</u>
Net Assets, End of the Year					<u>\$ 1,297,156</u>

The accompanying notes are an integral part of the financial statements.

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# **NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

**A. REPORTING ENTITY**

For financial reporting purposes, the State includes all funds, account groups, organizations, agencies, boards, commissions and Authorities that make up the State's legal entity. It includes as component units those legally separate organizations for which the State is financially accountable or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government or if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

**Blended Component Units** - Blended component units are entities that are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. The State reports these organizations' balances and transactions as though they were part of the primary government. The Maine Governmental Facilities Authority (MGFA) has been blended within the financial statements of the primary government.

The MGFA was created in 1997, as a successor to the Maine Court Facilities Authority, for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court

facility, State office or State activity space. The MGFA is included as an internal service fund.

**Discrete Component Units** - Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. The column labeled "Component Units" emphasizes these organizations' separateness from the State and includes the financial data of the following entities:

*The Maine Health and Higher Educational Facilities Authority* assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction, and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority consists of 12 members, one of whom must be the Superintendent of Banking, *ex officio*; one of whom must be the Commissioner of Human Services, *ex officio*; one of whom must be the Commissioner of Education, *ex officio*; one of whom must be the Treasurer of State, *ex officio*; and eight of whom must be residents of the State appointed by the Governor. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

*The Northern New England Passenger Rail Authority*, established on June 29, 1995 by the State of Maine Legislature, initiates, establishes and maintains regularly scheduled passenger rail service between points within Maine to points within and outside of Maine. The Governor appoints the five voting members of the Authority.

*The Child Development Services System* was established for the purpose of maintaining a coordinated service delivery system for the provision of Childfind activities, early intervention services, and free, appropriate public education services for eligible children with disabilities. CDS as a reporting entity includes a State-level intermediate educational unit and 16 regional intermediate educational units.

*The Finance Authority of Maine*, created in 1983, provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, the Occupational Safety Program

Fund Board, and the Small Business Enterprise Growth Fund Board. Additionally, the Authority administers the Maine College Savings Program Fund. The NextGen College Investing Plan is the primary program of the Maine College Savings Program Fund. The Governor appoints the 15 voting members of the Authority.

*The Maine Municipal Bond Bank* is authorized to issue bonds providing funds to counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners.

*The Maine Educational Loan Authority* was created in 1988 to grant educational loans primarily using funds acquired through issuance of long-term bonds payable. The Governor appoints five of the Authority's seven commissioners. The Authority's fiscal year ends on December 31.

*The Maine State Housing Authority* is authorized to issue bonds for the purchase of notes and mortgages on single-family and multi-family residential units for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as agent for the State administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting/dispersing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The Authority's fiscal year ends on December 31.

*The Maine State Retirement System* is the administrator of an agent multiple-employer public employee retirement system. It provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 250 local municipalities and other public entities in Maine. The Governor appoints four of the Board's seven voting members.

*Maine Maritime Academy* is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government. State appropriations, student fees, and a subsidy from the Maritime Administration support the Academy.

*The Maine Technical College System* is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The combined financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

*The University of Maine System* is the State University. In 1968 all existing units of the State college system were merged by the 103<sup>rd</sup> Legislature. The result was the creation of the consolidated University of Maine System with a single Board of Trustees. The System now consists of seven campuses and a central administrative office.

Complete financial statements of the individual component units can be obtained directly from their respective administrative offices by writing to:

Maine Governmental Facilities Authority  
PO Box 2268  
Augusta, ME 04338-2268

Maine Health and Higher Educational Facilities Authority  
PO Box 2268  
Augusta, ME 04338-2268

Northern New England Passenger Rail Authority  
5 Industry Road  
South Portland, ME 04106-6154

Child Development Services System  
146 State House Station  
Augusta, ME 04333-0146

Finance Authority of Maine  
5 Community Dr., PO Box 949  
Augusta, ME 04332-0949

Maine Municipal Bond Bank  
PO Box 2268  
Augusta, ME 04338-2268

Maine Educational Loan Authority  
One City Center 11<sup>th</sup> Floor  
Portland, ME 04101

Maine State Housing Authority  
89 State House Station, 353 Water Street  
Augusta, ME 04330-4633

Maine State Retirement System  
46 State House Station  
Augusta, ME 04333-0046

Maine Maritime Academy  
Castine, ME 04420

Maine Technical College System  
131 State House Station, 323 State Street  
Augusta, ME 04333-0131

University of Maine System  
107 Maine Avenue  
Bangor, ME 04401

### Other Component Units

The following entities meet the criteria of component units but have not been included in the financial statements of the primary government. The amounts associated with these component units are not material to the State's financial statements: the Maine Port Authority, the Maine School of Science and Mathematics, the Maine Science and Technology Foundation, the Maine Technology Institute, and the Loring Development Authority.

The Loring Development Authority is entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of the former Loring Air Force Base. The United States Air Force transferred title to 2,805 of approximately 3,600 acres of land, associated facilities, infrastructure and personal property to the LDA. It is expected that title to the remaining acreage will be transferred to the LDA over the next 5 years. The LDA has not included these assets in their financial statements and has not prepared a financial report in accordance with GASB Statement No. 34.

The LDA meets the criteria for inclusion as a discretely presented component unit of the State of Maine due, in part, to a reserve fund restoration commitment for outstanding bonded indebtedness of the LDA. However, since the LDA does not currently have any outstanding bonded debt, they have not been included in the financial statements of the primary government.

### Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Maine Public Broadcasting Corporation, the Maine Turnpike Authority, and the Maine Veteran's Home. The primary government has no material accountability for these organizations beyond making the board appointments.

## B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished

between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

#### Invested in capital assets, net of related debt

consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

#### Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or prior to November 30, 1989, except those that conflict with or contradict GASB pronouncements.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the State generally considers revenues as available if they are collected within 60 days of the end of the fiscal year. Individual income, corporate income, and sales and use taxes are considered available if collected within 12 months of the end of the fiscal year. Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.

Expenditures generally are recorded when a liability is incurred. However, expenditures related to debt service and compensated absences are recorded only when payment is due and payable.

#### Financial Statement Presentation

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* accounts for contributions received from employers and unemployment compensation benefits paid to eligible unemployed workers.

Additionally, the State reports the following fund types:

#### Governmental Fund Types:

*Special Revenue Funds* include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. Examples include learning technology, acquisition of public reserved lands, and other activities.

*Capital Projects Funds* account for the acquisition or construction of major capital assets and other programs financed by proceeds from bond issues.

*Permanent Funds* report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. An example is the Baxter State Park Fund.

#### Proprietary Fund Types:

*Enterprise Funds* report the activities for which fees are charged to external users for goods or services, such as alcoholic beverages and lottery operations, and transportation services.



*Internal Service Funds* provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information services, fleet management, risk management and health-related benefits.

#### **Fiduciary Fund Types:**

*Pension (and Other Employee Benefit) Trust Funds* report those resources that are required to be held in trust for members and beneficiaries of the State's pension, death and disability benefit plans. These resources are managed by the Maine State Retirement System, which was previously reported as a discrete component unit, but is now presented with the State's fiduciary funds in accordance with GASB Statement No. 34.

*Private Purpose Trust Funds* report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property, Public Reserved Lands and Permanent School funds.

*Agency Funds* report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for payroll withholdings, inmate and student guardianship accounts, and investments of certain discretely presented component units.

#### **D. FISCAL YEAR-ENDS**

All funds and discretely presented component units are reported using fiscal years which end on June 30, except for the Maine Educational Loan Authority and the Maine State Housing Authority, which utilize December 31 year-ends.

#### **E. ASSETS, LIABILITIES, AND NET ASSETS/FUND BALANCE**

##### **Cash and Cash Equivalents**

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. Cash equivalents consist of short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds, proceeds of Certificates of Participation that have not been spent, and funding to the Maine

Biomedical Research Board which is held by the Maine Technology Institute. Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Short-term investments reported as Cash and Short-Term Investments on the balance sheet are comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations with maturities of three months or less when purchased. Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

Certain component units participate in the cash pool and record their balances as cash and investments. Component units' funds have been removed from cash and investments of the primary government and shown as component unit cash and investments for purposes of note disclosure. Component units' investments are shown at fair value.

##### **Assets Held in Trust**

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. The State also holds \$124 million of Workers' Compensation and \$13 million of Employment Security surety bonds which are not reflected on the financial statements.

##### **Restricted Deposits and Investments**

Restricted deposits and investments include: Learning Technology Endowment funds; unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Government Facilities Authority, a blended component unit that has been independently audited; and funds that have been invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

##### **Inventories**

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Unexpended balances of food stamps (stated at coupon value), and undistributed vaccines and food commodities at fiscal year end are reported as inventory and deferred revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when the food stamps, vaccines and food commodities are issued.

Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost, except for those of the Alcoholic Beverages Fund, which are maintained on a current replacement cost basis. Although this basis is not in conformity with GAAP, it does not result in a material misstatement.

Inventories included in the component unit column are stated at the lower of cost (using the first-in, first-out method) or market.

### **Receivables**

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements for the construction and modernization of agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. The receivables in the component units column are amounts that have arisen in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

### **Interfund Transactions and Balances**

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, 2002, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Long-term loans made by one fund to another are classified as "Working Capital Advances Receivable" and "Working Capital Advances Payable". In the fund financial statements, advances receivable are offset by reservations of fund balance indicating that the reserves do not constitute expendable financial resources.

Receivables and payables between the component units and the primary government are classified as "Due to/from Primary Government" or "Due to/from Component Units."

### **Due from/to Other Governments**

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments

represents primarily federal grants receivable for Medicaid claims, other Human Services Programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units column represents money due from other governments for grants, bond repayment and retirement benefits. Due to Other Governments are primarily amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers and Temporary Assistance for Needy Families.

### **Fixed Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items) are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes buildings valued at \$1 million or more for governmental activities and \$10 thousand or more for business activities; equipment valued at \$10 thousand or more for governmental activities and \$3 thousand or more for business activities; and all land, regardless of value. Capital assets are recorded at cost or, if not purchased, at fair value as of the date of acquisition. In some instances, capital asset historical costs were not available; therefore, the costs of these assets at the dates of acquisitions have been estimated. No interest has been capitalized on self-constructed assets, since non-capitalization of interest does not materially affect the financial statements.

In the government-wide statements, depreciation is recorded on a straight-line basis over the assets' estimated useful lives, which are 10-40 years for buildings and improvements, and 2-25 years for equipment. However, the State's significant infrastructure assets utilize an alternative accounting treatment in which costs to maintain and preserve these assets are expensed and no depreciation expense is recorded. This approach is discussed further in the Required Supplementary Information portion of this report.

Fixed assets of component units are capitalized upon purchase and depreciated over the estimated useful lives of the assets. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5-60 years for structures and improvements and 3-15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them.

**Tax Refunds Payable**

The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

**Claims Payable**

Claims payable represent workers' compensation and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

**Compensated Employee Absences**

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as expenses and liabilities as they accrue. In the governmental fund financial statements, vested or accumulated leave expected to be liquidated with current available financial resources is reported as an expenditure and fund liability. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Deferred Revenue**

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, amounts recorded as receivable that do not meet the "availability" criterion for recognition as revenue in the current period are classified as deferred revenue. Resources received by the government before it has a legal claim to them are also included as deferred revenue. Deferred revenue reported in the General Fund is comprised of sales and income taxes. Deferred revenue in the Federal Fund is primarily for food stamps and vaccines not yet issued.

**Long-Term Obligations**

In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**Net Assets/Fund Balance**

The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

**Fund Balance Reservations**

Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial

statements. Reserved fund balances reflect either: 1) funds legally restricted for a specific future use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. The State has the following reservations:

*Continuing Appropriations* – indicates appropriations and encumbrances that the Legislature has specifically authorized to be carried into the next fiscal year if unexpended.

*Rainy Day Fund* – indicates amounts reserved for potential operating deficits or other emergencies. The maximum amount this fund may carry, by law, is six percent of the total General Fund revenues received in the immediately preceding year.

*Debt Service* – indicates amounts reserved for payment of future debt service obligations.

*Capital Projects* – indicates a legally segregated portion of funds available to finance the construction of major capital facilities.

*Permanent Trusts* – indicates assets reserved for the purpose of the permanent fund.

*Other* – indicates fund balance reserved for other specified purposes including amounts for working capital needs, long-term loans to other funds, transfers to other funds, and contingency funds from which the Governor may allocate sums for various purposes.

**F. REVENUES AND EXPENDITURES/EXPENSES**

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (i.e. general government, education, transportation, etc). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "dedicated" or "undedicated." Undedicated revenues

are available to fund any activity accounted for in the fund. Dedicated revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused dedicated revenues at year-end are recorded as reservations of fund balance. When both dedicated and undedicated funds are available for use, it is the State's policy to use dedicated resources first.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructures (e.g. highways) are included with expenditures by function.

## **NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

In accordance with statute, the Governor presents a biennial budget for the General Fund and special revenue funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a "line item" veto of dollar amounts, allowing a dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer

appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. In order to provide sufficient funding for several programs during the year ended June 30, 2002, supplemental appropriations of \$9.5 million were required for the General Fund.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation, is employed in governmental fund types. For financial statement purposes, encumbrances outstanding at June 30 are shown as reservations of fund balance. Unencumbered appropriations in the General Fund and in the Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. Amounts carried forward are shown as reservations of fund balance.

The State's budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

### NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

During fiscal year 2002, the State implemented several new accounting standards issued by GASB:

Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*,

Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*,

Statement No. 35, *Basic Financial Statements – and Management’s Discussion and Analysis – for Public Colleges and Universities*,

Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*

Statement No. 38, *Certain Financial Statement Note Disclosures*, and

Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

These new accounting standards changed the financial reporting model used by governments and universities. Governments are now required to present government-wide financial statements prepared using the accrual basis of accounting and the economic resources measurement focus. In addition, new definitions for fund types resulted in fund reclassifications and adjustments to fund equities as reported in the prior financial statements. The changes required by these statements are presented in the following table (expressed in thousands):

	June 30, 2001 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	June 30, 2001 As Restated
<b>GOVERNMENTAL FUNDS AND ACTIVITIES</b>				
<b>Major Funds:</b>				
General Fund	\$ 311,571	\$ -	\$ 8,155	\$ 319,726
Highway	110,986	-	(17,875)	93,111
Federal	22,013	-	4,821	26,834
Other Special Revenue	261,371	-	29,783	291,154
<b>Non-major Funds:</b>				
Special Revenue Funds:				
Government Facilities Authority	32,264	(32,264)	-	-
Learning Technology Endowment	-	52,727	(1,000)	51,727
Baxter Park	-	53,567	-	53,567
Revenue on Permanent Funds	-	105	-	105
Total Special Revenue Funds	32,264	74,135	(1,000)	105,399
Capital Projects Fund	69,596	-	-	69,596
Permanent Funds:				
Baxter Trust	-	4,646	-	4,646
Other Trusts	-	6,265	-	6,265
Total Permanent Funds	-	10,911	-	10,911
Total Non-major Funds	101,860	85,046	(1,000)	185,906
Total Governmental Funds	\$ 807,801	\$ 85,046	\$ 23,884	\$ 916,731
<b>Adoption of GASB Statement No. 34</b>				
Revenue recognition	\$ -	\$ -	\$ 31,714	\$ 31,714
Capital assets, net of depreciation	-	415,224	1,988,532	2,403,756
Long-term bonds and notes payable	-	-	(406,490)	(406,490)
Other liabilities and long-term obligations	-	-	(106,870)	(106,870)
Internal service fund conversion	-	54,685	(184,684)	(129,999)
Adoption of GASB Statement No. 34	-	469,909	1,322,202	1,792,111
<b>Total Governmental Activities</b>	<b>\$ 807,801</b>	<b>\$ 554,955</b>	<b>\$ 1,346,086</b>	<b>\$ 2,708,842</b>

	June 30, 2001 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	June 30, 2001 As Restated
<b>PROPRIETARY FUNDS AND BUSINESS-TYPE ACTIVITIES</b>				
<b>Major Fund:</b>				
Employment Security	\$ -	\$ 405,834	\$ 1,073	\$ 406,907
<b>Non-major Funds:</b>				
Enterprise Funds:				
Alcoholic Beverages	-	-	-	-
Lottery	-	-	-	-
Potato Marketing & Improvement	9,184	-	-	9,184
Seed Potato	719	-	-	719
Airport	5,610	-	541	6,151
Marine Ports	29,136	-	4,873	34,009
Ferry Service	22,417	-	1,047	23,464
Prison	625	-	-	625
Community Industrial Building	(39)	-	-	(39)
Total Enterprise Funds	67,652	-	6,461	74,113
Internal Service Funds	24,094	32,264	(1,673)	54,685
Total Proprietary Funds	\$ 91,746	\$ 438,098	\$ 5,861	\$ 535,705
<b>Adoption of GASB Statement No. 34</b>				
Internal service fund conversion	\$ -	\$ (54,685)	\$ -	\$ (54,685)
<b>Total Business-Type Activities</b>	\$ 91,746	\$ 383,413	\$ 5,861	\$ 481,020
<b>FIDUCIARY FUNDS</b>				
Private Purpose Funds:				
Abandoned Property	\$ -	\$ 4,105	\$ -	\$ 4,105
Revenue on Private Purpose Trusts	-	57	-	57
Lands Reserved	-	8,479	-	8,479
Permanent School	-	1,168	-	1,168
Total Private Purpose Funds	-	13,809	-	13,809
Funds previously reported as Expendable Trust Funds:				
Employment Security	405,834	(405,834)	-	-
Abandoned Property	4,105	(4,105)	-	-
Learning Technology	52,727	(52,727)	-	-
Baxter Park	53,567	(53,567)	-	-
Other Trusts	162	(162)	-	-
Total Expendable Trust Funds	516,395	(516,395)	-	-
Funds previously reported as Nonexpendable Trust Funds:				
Baxter Park	4,646	(4,646)	-	-
Lands Reserved	8,478	(8,478)	-	-
Other Trusts	7,433	(7,433)	-	-
Total Nonexpendable Trust Funds	20,557	(20,557)	-	-
Pension Trust Funds	-	7,028,779	-	7,028,779
Total Fiduciary Funds	\$ 536,952	\$ 6,505,636	\$ -	\$ 7,042,588
<b>ACCOUNT GROUPS</b>				
General Fixed Assets	\$ 415,224	\$ (415,224)	\$ -	\$ -
General Long-Term Obligations	-	-	-	-
Total Account Groups	415,224	(415,224)	-	-
<b>Total Primary Government</b>	\$ 1,851,723	\$ 7,028,780	\$ 1,351,947	\$ 10,232,450

	June 30, 2001 As Previously Reported	Fund Reclassifications	Prior Period Adjustments	June 30, 2001 as Restated
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>	\$ 8,335,403	\$ -	\$ -	\$ 8,335,403
Adoption of GASB Statement No. 33,34, and 35:				
Revenue and expense recognition	-	-	(29,493)	(29,493)
Capital assets, net of depreciation	-	-	(5,233)	(5,233)
Fund reclassification	-	(7,028,779)		(7,028,779)
Other	-	-	(5,841)	(5,841)
Total Net Assets for Discretely Presented Component Units - restated	\$ 8,335,403	\$ (7,028,779)	\$ (40,567)	\$ 1,266,057

In addition to restatements as a result of implementing GASB Statement No. 34, four significant adjustments were made to restate prior period fund balances. The Highway Fund was decreased by \$17.9 million to correct prior period accrued fuel taxes. The Other Special Revenue Fund was increased by \$31.8 million

to reflect revolving loans funds held by FAME as an agent for the State, \$6.1 million to reflect outstanding business and economic development loans receivable, and (\$8.3) to reflect a liability for amounts overdrawn from the TANF block grant.

#### NOTE 4 - DEFICIT FUND BALANCES/RETAINED EARNINGS

Two internal service funds showed deficit Retained Earnings for the fiscal year ended June 30, 2002. The Workers' Compensation Fund was at a deficit of \$66.9 million, which reflects accruals for actuarially

determined claims payable. The Property Lease Fund was at a deficit of \$2 million, which reflects the recording of capital lease depreciation. These deficits are expected to be funded by future service charges.

#### NOTE 5 - DEPOSITS AND INVESTMENTS

The deposit and investment policies of the State of Maine Office of the Treasurer are governed by Title 5 of the Maine Revised Statutes Annotated (M.R.S.A.). Per 5 M.R.S.A. § 135, the Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor. Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 24 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 24 months; prime commercial paper; tax-exempt obligations; banker's acceptances; and shares of an investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the United States Security Act of

1933, only if the investments of the company are limited to obligations of the United States or repurchase agreements secured by obligations of the United States. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by 5 M.R.S.A. § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B, M.R.S.A. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rates. The Treasurer may invest

up to \$8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. \$4 million of this program are earmarked for loans to agricultural enterprises, and the other \$4 million are designated for commercial entities.

Maine State Retirement System (The System) makes investments in a combination of equities, fixed income securities, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy. The System prohibits its investment managers from using leverage in its derivative financial instruments or from investing in speculative positions. The System has also entered into agreements for securities lending transactions, which are collateralized in an amount at least equal to 102 percent (105 percent for international securities) of the market value of the securities loaned.

No amounts exceeding 25% of the capital, surplus, and undivided profits of any trust company or national bank, or 25% of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to

pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

### DEPOSITS

Deposits with financial institutions are classified by collateral risk into three categories. Category 1 is the amount of State deposits that are fully insured or collateralized with securities held by the State or its agent in the State's name. Category 2 is the amount of deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 is the amount of deposits that are neither collateralized nor insured.

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to the vendors. During fiscal year 2002, these exceeded \$70 million per month. Until the vendor receives payment, the State retains some liability. The funds in transit were not collateralized during FY 2002 and, because they were not held by the State Treasurer, they are not included in the preceding risk categories.

The following tables categorize the deposits of the primary government and discretely presented component units at the close of fiscal year 2002:

#### Primary Government Deposits

(Expressed in Thousands)

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Cash and Cash Equivalents	\$ 30,685	\$ 847	\$ 2,799	\$ 34,331	\$ (26,360)
Cash with Fiscal Agent	-	12,681	12,542	25,223	25,223
Restricted Deposits	<u>71,280</u>	<u>1,130</u>	<u>4,248</u>	<u>76,658</u>	<u>76,658</u>
Total	<u>\$ 101,965</u>	<u>\$ 14,658</u>	<u>\$ 19,589</u>	<u>\$ 136,212</u>	<u>\$ 75,521</u>

#### Component Unit Deposits

(Expressed in Thousands)

	Category 1	Category 2	Category 3	Bank Balance	Carrying Amount
Cash and Cash Equivalents	\$ 7,262	\$ 86,080	\$ 14,118	\$ 107,460	\$ 96,888
Restricted Deposits	<u>69,669</u>	<u>-</u>	<u>-</u>	<u>69,669</u>	<u>69,669</u>
Total	<u>\$ 76,931</u>	<u>\$ 86,080</u>	<u>\$ 14,118</u>	<u>\$ 177,129</u>	<u>\$ 166,557</u>

### INVESTMENTS

Investments are classified to indicate the level of risk assumed by the State. Category 1 consists of investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's

name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the State's name.

The following table categorizes the investments of the primary government at June 30, 2002:



**Primary Government Investments**

(Expressed in Thousands)

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Fair Value</b>
Cash & Cash Equivalents	\$ 64,537	\$ 951	\$ 3,188	\$ 68,676
U.S. Government and Agency Obligations	156,390	2,763	11,092	170,245
Commercial Paper	164,306	-	-	164,306
Corporate Bonds and Notes	-	4,262	4,032	8,294
Equity Securities	-	10,533	30,844	41,377
Other Restricted Investments	<u>6,638,146</u>	<u>37,872</u>	<u>-</u>	<u>6,676,018</u>
Totals	<u>\$ 7,023,379</u>	<u>\$ 56,381</u>	<u>\$ 49,156</u>	7,128,916
Unemployment Fund Deposits with US Treasury				441,346
Assets Held in Trust				<u>1,258,896</u>
Total Investments – Primary Government				<u>\$ 8,829,158</u>

**As reported on the Statement of Net Assets and Statement of Fiduciary Net Assets**

	<b>Current Investments</b>	<b>Non-Current Investments</b>	<b>Restricted Investments</b>	<b>Assets Held In Trust</b>	<b>Short Term Investments</b>
Governmental activities	\$ 137,213	\$ 62,159	\$ 68,721	\$ -	\$ 241,279
Business-type activities	805	474	441,346	-	-
Fiduciary	10,942	-	-	1,258,896	-
Fiduciary- Pension (1)	<u>-</u>	<u>-</u>	<u>6,518,800</u>	<u>-</u>	<u>88,523</u>
	\$ 148,960	\$ 62,633	\$ 7,028,867	\$ 1,258,896	\$ 329,802
				<b>Total</b>	<b><u>\$8,829,158</u></b>

(1) Represents investments of the Maine State Retirement System, a discrete component unit, included with Fiduciary Funds per GASB Statement No. 34.

**COMPONENT UNITS**

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

The Maine Educational Loan Authority (MELA) had entered into an interest rate exchange agreement to manage its interest rate exposure on its variable rate education loans. The agreement calls for MELA to receive fixed rate interest payments in exchange for

variable market-indexed interest payments. The amounts potentially subject to credit risk are the streams of payments under the agreement and not the notional amount of the contracts. This agreement involves not only the risk of default by the other party, but also the interest rate risk if positions are not matched. MELA does not obtain collateral from the counterparty to secure the amounts subject to credit risks. The notional principal amount of the interest rate swap agreement outstanding at December 31, 2001 was \$4.5 million. The termination date of the agreement is December 1, 2006.

At the close of fiscal year 2002, investments of the discretely presented component units were:

**Component Unit Investments**

(Expressed in thousands)

	<b>Category 1</b>	<b>Category 2</b>	<b>Category 3</b>	<b>Fair Value</b>
Cash and Cash Equivalents	\$ 17,011	\$ 25,372	\$ 51,588	\$ 93,971
U.S. Government and Agency Obligations	189,476	204,215	-	393,691
Repurchase Agreements	255,681	31,799	10,136	297,616
Commercial Paper	33,747	-	25,225	58,972
Corporate Bonds and Notes	13,810	-	-	13,810
Equity Securities	5,203	-	61,682	5,203
Investment Contracts	-	162,438	5,999	168,036
Other	81	-	-	81
Restricted	2,789	-	77,435	80,224
Totals	<u>\$ 517,799</u>	<u>\$ 423,824</u>	<u>\$ 169,983</u>	<u>\$1,111,605</u>

The State's internal investment pool consists primarily of commercial paper with maturities of up to 90 days and U.S. Government and Agency obligations with maturities of up to two years. Certain component units also invest in the pool and comprise approximately 22 percent of pool assets. The component units reported their participation as Cash and Cash Equivalents on their financial statements. The State has reclassified

\$36 million of the component units' participation as investments on the State's financials. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$34 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements.

**NOTE 6 - RECEIVABLES**

Receivable balances are segregated by type, classified as current and noncurrent, and presented in the fund financial statements net of allowance for uncollectibles.

The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

**Primary Government – Receivables**

(Expressed in Thousands)

	<b>Taxes</b>	<b>Accounts</b>	<b>Loans</b>	<b>Allowance for Uncollectibles</b>	<b>Net Receivables</b>
<b>Governmental Funds:</b>					
General	\$ 435,332	\$ 74,889	\$ 1	\$ (128,023)	\$ 382,199
Highway	20,822	2,068	202	(1,605)	21,487
Federal	-	39,077	-	(96)	38,981
Other Special Revenue	2,509	106,356	10,516	(5,650)	113,731
Nonmajor Governmental	-	-	-	-	-
Total Governmental Funds	458,663	222,390	10,719	(135,374)	556,398
Allowance for uncollectibles	(111,773)	(21,533)	(2,068)	-	-
Net Receivables	<u>\$ 346,890</u>	<u>\$ 200,857</u>	<u>\$ 8,651</u>		<u>\$ 556,398</u>
<b>Proprietary Funds:</b>					
Employment Security	\$ -	\$ 36,114	\$ -	(6,636)	\$ 29,478
Nonmajor Enterprise	-	10,265	176	(210)	10,231
Internal Service	-	9,620	183,781	(1)	193,400
Total Proprietary Funds	-	52,999	183,957	(6,847)	233,109
Allowance for Uncollectibles	-	(6,678)	(169)	-	-
Net Receivables	<u>\$ -</u>	<u>\$ 49,321</u>	<u>\$ 183,788</u>		<u>\$ 233,109</u>

**Component Units - Receivables**  
(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Child Development Services System	\$ 101	\$ -	\$ -	\$ -	\$ 101
Finance Authority of Maine	691	-	28,912	-	29,603
Maine Educational Loan Authority	417	46,542	-	(735)	46,224
Maine Health & Higher Educational Facilities Authority	3,627	917,172	3,175	(1,631)	922,343
Maine Maritime Academy	2,888	3,405	-	(377)	5,916
Maine Municipal Bond Bank	2,021	-	-	-	2,021
Maine State Housing Authority	19,977	1,301,065	-	(12,729)	1,308,313
Maine Technical College System	3,122	-	-	(293)	2,829
Northern New England Passenger Rail Authority	-	-	-	-	-
University of Maine System	<u>28,344</u>	<u>-</u>	<u>37,775</u>	<u>(2,189)</u>	<u>63,930</u>
Total Component Units	61,188	2,268,184	69,862	(17,954)	2,381,280
Allowance for Uncollectibles	<u>(3,879)</u>	<u>(13,671)</u>	<u>(404)</u>		<u>-</u>
Net Receivables	<u>\$ 57,309</u>	<u>\$ 2,254,513</u>	<u>\$ 69,458</u>		<u>\$ 2,381,280</u>

**NOTE 7 - INTERFUND TRANSACTIONS**

Interfund receivables and payables represent amounts owed to one State fund by another for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2002 were:

**Interfund Receivables**  
(Expressed in Thousands)

<b>Due to Other Funds</b>					
<u>Due from Other Funds</u>	<u>General</u>	<u>Highway</u>	<u>Federal Fund</u>	<u>Other Special Revenue</u>	<u>Non-Major Governmental</u>
General	\$ 94	\$ 1,469	\$ 3,086	\$ 4,057	\$ -
Highway	1	-	-	-	-
Federal	2,364	-	264	28,540	-
Other Special Revenue	102,547	193	15,381	184	-
Non-Major Governmental	-	-	-	-	-
Employment Security	5	-	14	4	-
Non-Major Enterprise	573	-	1	-	-
Internal Service	<u>5,170</u>	<u>2,049</u>	<u>1,956</u>	<u>935</u>	<u>-</u>
Total	<u>\$ 110,754</u>	<u>\$ 3,711</u>	<u>\$ 20,702</u>	<u>\$ 33,720</u>	<u>\$ -</u>
<u>Due from Other Funds</u>	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Total</u>	
General	\$ -	\$ 203	\$ 691	\$ 9,600	
Highway	-	-	258	259	
Federal	-	-	225	31,393	
Other Special Revenue	1,046	7	1,491	120,849	
Non-Major Governmental	-	-	-	-	
Employment Security	-	5	-	28	
Non-Major Enterprise	-	-	-	574	
Internal Service	<u>-</u>	<u>125</u>	<u>516</u>	<u>10,751</u>	
Total	<u>\$ 1,046</u>	<u>\$ 340</u>	<u>\$ 3,181</u>	<u>\$ 173,454</u>	

Not included in the table above are the following interfund loans/advances, which are not expected to be repaid within one year. The Highway Fund provided \$2.2 million to Motor Transport Service (an internal service fund) for amounts needed for priority projects. Various funds owe a total of \$1.3 million to the General Fund for operating capital: Alcoholic Beverages (an enterprise fund) \$1 million; Department of Environmental Protection (a special revenue fund) \$111 thousand; Department of Economic and Community Development (a special revenue fund) \$25 thousand; and, Postal Printing & Supply (an internal service fund) \$150 thousand.

Intra-entity receivables and payables represent amounts owed to discretely presented component units by the primary government (the State) at the end of the fiscal year. Amounts are owed for undistributed grants and appropriations, outstanding tuition fees, and undistributed accrued shared tax revenues. At the end of fiscal year 2002, receivables and related liabilities between the primary government and the discretely presented component units, disaggregated by fund and component unit, were:

**Component Units - Due From/Due To**  
(Expressed in Thousands)

	<b><u>Due From</u></b> <b><u>Primary</u></b> <b><u>Government</u></b>	<b><u>Due To</u></b> <b><u>Component</u></b> <b><u>Units</u></b>
<b>Primary Government:</b>		
<u>General Fund</u>		
Child Development Services System	\$ -	\$ 1,085
University of Maine System	-	1,236
Maine Municipal Bond Bank	-	312
Maine Technical College System	-	334
<u>Special Revenue Fund</u>		
Child Development Services System	-	94
University of Maine System	-	5,282
Maine State Housing Authority	-	1,624
<u>Capital Projects Fund</u>		
Maine Technical College System	-	711
Maine Municipal Bond Bank	-	1,330
<b>Component Units:</b>		
<u>Child Development Services System</u>		
General Fund	1,085	-
Special Revenue Fund	94	-
<u>Maine Municipal Bond Bank</u>		
General Fund	312	-
Capital Projects	1,330	-
<u>Maine Technical College System</u>		
General Fund	334	-
Capital Projects	711	-
<u>University of Maine System</u>		
General Fund	1,236	-
Special Revenue Fund	<u>5,282</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 10,384</u></b>	<b><u>\$ 12,008</u></b>

Receivables and related liabilities between the primary government and the discretely presented component

units do not agree because the Maine State Housing Authority has a calendar year end.

Transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move

profits from the Alcoholic Beverages Fund and the Lottery Fund, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute. All transfers are made in accordance with statutory authority granted by the Legislature.

Interfund transfers for the year ended June 30, 2002, consisted of the following:

**Interfund Transfers**  
(Expressed in Thousands)

<b>Transfers from Other Funds</b>					
<u>Transfers to Other Funds</u>	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Non-Major Governmental</u>
General	-	\$ 101	\$ 428	\$ 121,212	\$ -
Highway	\$ 500	-	156	1,954	-
Federal	6,279	1,368	557	6,832	-
Other Special Revenue	27,449	309	13,027	-	-
Non-Major Governmental	23,592	-	-	5,262	899
Employment Security	-	-	-	-	-
Non-Major Enterprise	62,470	-	-	10,575	-
Internal Service	-	-	-	-	-
Fiduciary	<u>7,836</u>	<u>-</u>	<u>-</u>	<u>677</u>	<u>-</u>
Total	<u>\$ 128,126</u>	<u>\$ 1,778</u>	<u>\$ 14,168</u>	<u>\$ 146,512</u>	<u>\$ 899</u>

<b>Transfers from Other Funds</b>					
<u>Transfers to Other Funds</u>	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
General	\$ -	\$ 3,095	\$ -	\$ -	\$ 124,836
Highway	-	-	-	-	2,610
Federal	314	-	-	-	15,350
Other Special Revenue	-	-	-	-	40,785
Non-Major Governmental	-	-	-	483	30,236
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	73,045
Internal Service	-	-	-	-	-
Fiduciary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,513</u>
Total	<u>\$ 314</u>	<u>\$ 3,095</u>	<u>\$ -</u>	<u>\$ 483</u>	<u>\$ 295,375</u>

**NOTE 8 - CAPITAL ASSETS**

The following schedule details capital asset activity of the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2002:

**Primary Government - Capital Assets**  
(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases and Other Additions</u>	<u>Decreases and Other Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 166,229	\$ 115,866	\$ 4,195	\$ 277,900
Construction in progress	152,737	72,779	198,249	27,267
Infrastructure	-	<u>2,027,179</u>	-	<u>2,027,179</u>
Total capital assets, not being depreciated	318,966	2,215,824	202,444	2,332,346
Capital assets, being depreciated				
Buildings	165,403	246,169	18,769	392,803
Equipment	200,522	36,314	32,228	204,608
Improvements other than buildings	<u>2,772</u>	<u>18,685</u>	<u>4,521</u>	<u>16,936</u>
Total capital assets, being depreciated	<u>368,697</u>	<u>301,168</u>	<u>55,518</u>	<u>614,347</u>
Less accumulated depreciation for:				
Buildings	90,674	14,068	16,305	88,437
Equipment	120,038	30,201	24,083	126,156
Improvements other than buildings	<u>3,830</u>	<u>1,086</u>	-	<u>4,916</u>
Total accumulated depreciation	<u>214,542</u>	<u>45,355</u>	<u>40,388</u>	<u>219,509</u>
Total capital assets being depreciated, net	<u>154,155</u>	<u>255,813</u>	<u>15,130</u>	<u>394,838</u>
Governmental Activities Capital Assets, net	<u>\$ 473,121</u>	<u>\$ 2,471,637</u>	<u>\$ 217,574</u>	<u>\$ 2,727,184</u>
<b>Business-Type Activities:</b>				
		<u>Net Additions</u>	<u>Net Deletions</u>	
Capital assets, not being depreciated				
Land	\$ 5,605	\$ 798	\$ -	\$ 6,403
Construction in progress	<u>6,291</u>	-	<u>4,698</u>	<u>1,593</u>
Total capital assets, not being depreciated	11,896	798	4,698	7,996
Capital assets, being depreciated				
Buildings	11,810	4,568	-	16,378
Equipment	17,080	2,330	-	19,410
Improvements other than buildings	<u>40,185</u>	<u>4,578</u>	-	<u>44,763</u>
Total capital assets, being depreciated	<u>69,075</u>	<u>11,476</u>	-	<u>80,551</u>
Less accumulated depreciation	<u>26,949</u>	<u>2,657</u>	-	<u>29,606</u>
Total capital assets, being depreciated, net	<u>42,126</u>	<u>8,819</u>	-	<u>50,945</u>
Business-Type Activities Capital Assets, net	<u>\$ 54,022</u>	<u>\$ 9,617</u>	<u>\$ 4,698</u>	<u>\$ 58,941</u>

During the fiscal year, depreciation expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

**Governmental Activities - Depreciation Expense**  
(Expressed in Thousands)

	<u>Amount</u>
<b>Governmental Activities:</b>	
General Government	\$ 6,250
Economic Development	1,539
Education and Culture	502
Human Services	10,143
Labor	1,742
Natural Resources	4,227
Public Protection	5,577
Transportation	<u>9,397</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 39,377</u>

**Discretely Presented Component Units**

The following table summarizes net capital assets reported by the discretely presented component units (Expressed in Thousands):

**Component Unit - Capital Assets**  
(Expressed in Thousands)

Land	\$ 13,524
Buildings	459,478
Equipment	142,989
Improvements other than buildings	45,251
Library books and materials	54,153
Construction in progress	<u>66,590</u>
Total	781,985
Less accumulated depreciation	<u>(326,427)</u>
Capital assets, net – discretely presented component units	<u>\$ 455,558</u>

## NOTE 9 - MAINE STATE RETIREMENT SYSTEM

### PLAN DESCRIPTION

The Maine State Retirement System is the administrator of an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423, and 425. The System is a component unit of the State. Financial information for the System is included in the Statement of Fiduciary Net Assets and in the Statement of Changes in Fiduciary Net Assets. The Maine State Retirement System issues a stand-alone financial report.

The System provides pension, death, and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution purposes, and employees of approximately 250 local municipalities and other public entities in Maine, each of which contracts for participation in the System under provisions of relevant statutes.

At June 30, 2002, the membership consisted of:

Active vested and nonvested members	52,480
Terminated vested participants	2,963
Retirees and benefit recipients	<u>30,122</u>
Total	<u>85,565</u>

The System's retirement programs provide retirement benefits based on members' average final

compensation and creditable service. Vesting occurs upon the earning of ten years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The system also provides death and disability benefits, which are established by statute for State and public school employees, and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 6.0 percent.

In the event that a participating entity withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The participating entity remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members;

and for those active employees, whether or not vested, who remain contributing System members.

Contributions from members and employers and earnings from investments fund retirement benefits. Employer contributions and investment earnings fund disability and death benefits. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined by annual actuarial valuations.

The total funds managed by the System are constitutionally restricted as held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan. The Maine State Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries. The System is therefore regarded as administering a single plan for reporting purposes. The State's legal counsel does not concur with the accumulated assets representation. Additional disclosures would be necessary to report this as more than one plan in conformity with generally accepted accounting principles.

The System also provides group life insurance under a plan that is administered by a third party insurance company. Premiums paid by or on behalf of those covered are set and collected by the System. The insurance company makes benefit payments. The System remits payments to the insurance company in the amount of benefits paid out and additional payments representing administrative fees.

#### FUNDING POLICY

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 19-year period from June 30, 2000. For participating local districts, either the level percentage

of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and the amount of the unfunded liability. Amortization periods range from 2 years to 28 years.

The State of Maine is required to remit 25% of its budgetary surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for State employees and teachers. However, the law was amended in a manner that resulted in no additional contribution from the State budgetary surplus during the fiscal year ended June 30, 2002.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the pension obligation.

The actuarially determined contribution rates in effect for 2002 for participating entities are:

<u>State:</u>	
Employees <sup>1</sup>	7.65-8.65%
Employer	12.19-36.35%
<u>Teachers:</u>	
Employees	7.65%
Employer	17.71%
<u>Participating Local Entities:</u>	
Employees	3.0-8.0%
Employer <sup>1</sup>	1.7-6.5%

<sup>1</sup> Contribution rates vary depending on specific terms of plan benefits for certain classes of employees or benefit plan options selected by a particular participating local entity. Withdrawn entities' contributions are set in dollar amounts, not as rates.

#### ANNUAL PENSION COST AND NET PENSION OBLIGATION

The employer's annual pension cost and net pension obligation to the System for the current year were:

##### Net Pension Obligation (Expressed in Thousands)

Annual required contribution	\$242,486
Interest on net pension obligation	6,027
Adjustment to annual required contribution	<u>(5,269)</u>
Annual pension cost	243,244
Contributions made	<u>242,486</u>
Increase (decrease) in net pension obligation	758
Net pension obligation beginning of year	<u>75,341</u>
Net pension obligation end of year	<u>\$ 76,099</u>



**Analysis of Funding Progress**

(Expressed in Thousands)

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2002	\$ 243,244	99.69%	\$ 76,099
2001	254,978	99.57%	75,341
2000	241,189	100.85%	74,243

The annual required contribution for the current year was determined as part of the June 30, 2002 actuarial valuation using the entry age normal cost method based on a level percentage of covered payrolls. The actuarial assumptions included (a) 8% return on investments and (b) projected salary increases of 5.5% to 9.5% per year, including inflation of 5.5%. The assumptions include post retirement benefit increases of 4% per annum. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 19-year period from June 30, 2000. For participating local districts, either the level percentage of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability, (i.e., separate or pooled) and the amount of the unfunded liability. Amortization periods range from 4 to 16 years.

**COMPONENT UNIT PENSION DESCRIPTION**

The Maine Municipal Bond Bank, Maine Maritime Academy, Maine State Retirement System, and University of Maine System have defined benefit pension plans. All except the University of Maine System are participants in plans administered by the Maine State Retirement System. Employees of the Maine Technical College System and the Northern

New England Passenger Rail Authority are considered to be State employees for retirement benefit purposes and are included in the pension disclosures of the State.

Employer contributions met actuarially determined contribution requirements.

**OTHER PLANS**

The University of Maine System and the Maine Technical College System also have optional programs with the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), which is a defined contribution plan. The University of Maine System contributes approximately 10 percent of base salary of participants. All full time employees are eligible, and part-time employees are eligible once they have achieved the equivalent of five years of continuous, full-time service. All eligible employees are required to participate in this Plan when they reach thirty years of age. The Maine Technical College System contributes 12.88 percent of total salaries for participating employees or 6.04 percent for Maine Educational Association employees.

The Finance Authority of Maine and Child Development Services have Simplified Employee Pension plans. The Maine State Housing Authority has a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(a).

The Maine Health and Higher Educational Facilities Authority has a discretionary contributory profit sharing plan and a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(k).

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS****POST RETIREMENT HEALTH CARE BENEFITS**

The State of Maine funds postretirement health care benefits for most retired State employees and legislators, as authorized by 5 M.R.S.A. § 285, and for a portion of the premiums for teachers, as authorized by 20-A M.R.S.A. § 13451. Pursuant to 5 M.R.S.A., § 285, most retired employees of the Maine Turnpike Authority, the Maine Technical College System, the Maine Maritime Academy, and the Maine State Retirement System are eligible to participate in the health plan but are not funded by the State. Specifically excluded (5 M.R.S.A., § 285 1-B) are members of the Maine Municipal Association, the Maine Teachers Association and employees of counties and municipalities and their instrumentalities.

The State pays 100 percent of post retirement health insurance premiums for retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Retirees eligible for Medicare are covered under supplemental insurance policies. The retiree must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization; supplemental major

medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

The State has been in the process of changing funding of retiree health care benefits from a pay-as-you-go basis to an actuarial funding method. For fiscal year 2002, state contributions exceeded those necessary on a pay-as-you-go basis but were less than those that would have been required on an actuarial basis. For retired State employees, the State estimated the total amount necessary to pay health insurance premiums. This amount (which averaged approximately 6.5% for the calendar years of 2001 and 2002), is generated using a contribution rate, authorized by 5 MRSA § 286-A, multiplied by the value of the current employee payroll. The amounts contributed were reported as expenditures/expense in each of the various funds. For retired teachers, the State estimates the total annual amount necessary to pay its 30 percent share of health insurance premiums. This amount, less any accumulated funds remaining from prior years' estimates, is appropriated and reported as expenditures in the General Fund. Contributions resulting from both sources are accumulated in and reported as revenue of the Retiree Health Insurance Internal Service Fund. The State's share of the premium expense is paid from that fund when retiree payrolls are processed. The State's management proposed funding retiree healthcare benefits in the future using actuarially determined rates.

As of June 30, 2002, there were 6,909 retired eligible State employees and 7,904 retired teachers. In fiscal year 2002, the State paid into the Retiree Health Insurance Fund \$33.3 million for retired employees and \$6.8 million for retired teachers. Premium charges paid were \$23.4 million and \$5.6 million, respectively. Overall Net Assets increased by \$13.7 million to \$49.9 million at June 30, 2002.

The most recent actuarial study, issued for the fiscal year ended July 1, 2002, estimated the liability for current and future retirees at \$976.9 million. This includes 14,297 retirees and 40,515 active employees expected to retire in the future.

#### **POST RETIREMENT LIFE INSURANCE BENEFITS**

The Maine State Retirement System provides certain life insurance benefits for retirees who, as active employees, participated in the Group Life Insurance Program for a minimum of ten years. Payments of claims are made from a fund containing the life insurance premiums of active State employees and teachers, plus earnings on the investments of the fund. In addition to the cost of claims, the State pays a monthly retention fee to a life insurance company. For the fiscal year ended June 30, 2002, claims totaled \$2.2 million for retired State employees and \$1.3 million for retired teachers. The number of participants eligible to receive benefits at fiscal year end was 7,956 retired State employees and 5,446 retired teachers.

### **NOTE 11 - LONG-TERM OBLIGATIONS**

#### **Primary Government**

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Assets. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; compensated employee absences; and, the State's net pension obligation.

#### **GENERAL OBLIGATION BONDS**

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs;

environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State's general tax revenues and are repaid in annual installments beginning not more than one year after issuance.

Changes in general obligation bonds of the primary government during fiscal year 2002 were:

**Primary Government - Changes in General Obligation Bonds**

(Expressed in Thousands)

	<b>Balance July 1, 2001</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2002</b>	<b>Due Within One Year</b>
General Obligation Debt:					
General Fund	\$ 297,405	\$ 27,610	\$ 64,225	\$ 260,790	\$ 63,880
Special Revenue Fund	108,635	-	23,300	85,335	21,215
Self Liquidating	450	-	80	370	70
Total	<u>\$ 406,490</u>	<u>\$ 27,610</u>	<u>\$ 87,605</u>	<u>\$ 346,495</u>	<u>\$ 85,165</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary

government, from June 30, 2002 until maturity, are summarized in the following table:

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 85,165	\$ 16,970	\$ 102,135
2004	62,610	12,931	75,541
2005	49,850	9,764	59,614
2006	47,765	7,203	54,968
2007	35,040	4,875	39,915
2008-2012	66,065	6,815	72,880
Total	<u>\$ 346,495</u>	<u>\$ 58,558</u>	<u>\$ 405,053</u>

**AUTHORIZED UNISSUED BONDS**

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2002, general obligation bonds authorized and unissued totaled \$212.4 million. The Maine Governmental Facilities Authority, a blended component unit, may not issue securities in excess of \$211 million outstanding at any one time except for the issuance of certain revenue refunding securities.

**REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY**

The State has included \$191.6 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by the Authority is not debt of the State or any political subdivision within the State; and the State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt.

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance the construction of certain State buildings and to purchase equipment and vehicles. Certificates of Participation are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State maintains custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid. Neither Certificates of Participation nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

**OTHER LONG-TERM OBLIGATIONS**

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Assets, the State has recorded long-term obligations for

its compensated employee absences and net pension obligation.

The following schedule shows the changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2002:

**Primary Government - Changes in Other Long-Term Obligations**

(Expressed in Thousands)

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2002</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
MGFA Revenue Bonds	\$ 159,320	\$ 36,616	\$ 4,290	\$ 191,646	\$ 6,217
COP's and Other Financing Arrangements	18,212	10,850	6,436	22,626	5,017
Compensated Absences	35,672	6,409	3,758	38,323	3,974
Net Pension Obligation	<u>75,341</u>	<u>758</u>	<u>-</u>	<u>76,099</u>	
Total Governmental Activities	<u>\$ 288,545</u>	<u>\$ 54,633</u>	<u>\$ 14,484</u>	<u>\$ 328,694</u>	
<b>Business-Type Activities:</b>					
Compensated Absences	<u>\$ 516</u>	<u>\$ 64</u>	<u>\$ 53</u>	<u>\$ 526</u>	55
Total Business-Type Activities	<u>\$ 516</u>	<u>\$ 64</u>	<u>\$ 53</u>	<u>\$ 526</u>	

Debt service requirements (principal and interest) for all COP's and other financing arrangements of the

primary government, from June 30, 2002 until maturity, are summarized in the following table:

**Future Debt Service on COP's and Other Financing Arrangements**

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Governmental Funds</u>	<u>Governmental Facilities Authority</u>	<u>Internal Service Funds</u>
2003	\$ 280	\$ 15,259	\$ 5,523
2004	836	19,959	4,734
2005	681	19,524	3,770
2006	664	19,075	3,493
2007	670	18,624	919
Thereafter	<u>3,361</u>	<u>185,585</u>	<u>645</u>
Total Debt Service	6,492	278,025	19,084
Less: Interest	<u>1,130</u>	<u>86,380</u>	<u>1,820</u>
Total Principal	<u>\$ 5,362</u>	<u>\$ 191,646</u>	<u>\$ 17,264</u>

**SHORT TERM OBLIGATIONS**

The State of Maine issued and retired \$27.6million in Bond Anticipation Notes during fiscal year 2002. At June 30, 2002 there were no outstanding Bond Anticipation Notes.

**OBLIGATIONS UNDER CAPITAL LEASES**

The State of Maine leases various assets under noncancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases, which are in substance purchases, are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception at the lower of fair market value or the present value of the minimum lease payments. The principle portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered in the determination of whether a lease is cancelable, because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Because the accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-

wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. At June 30, 2002, property acquired under capital leases totaled \$49.1 million in the internal service funds, with related accumulated depreciation of \$17.2 million.

#### OBLIGATIONS UNDER OPERATING LEASES

The State is obligated under certain leases accounted for as operating leases in the proprietary funds.

Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements.

The following schedule includes the future minimum lease payments for capital leases reported in proprietary funds, and the future minimum rental required under operating leases that have initial or remaining noncancelable lease terms in excess of one year from June 30, 2002:

#### Future Minimum Lease Payments Capital and Operating Leases (Expressed in Thousands)

Fiscal Year	Capital Leases	Operating Leases
2003	\$ 6,329	\$ 2,426
2004	5,638	2,030
2005	4,284	1,637
2006	3,936	936
2007	3,722	218
2008-2012	15,034	555
2013-2017	4,077	120
2018-2022	84	-
Total Minimum Payments	43,104	\$ 7,922
Less: Amount Representing Interest	8,999	
Present Value of Future Minimum Payments	\$ 34,105	

#### Component Units

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following

table summarizes bonds outstanding for the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year ends:

#### Component Unit Bonds Outstanding (Expressed in Thousands)

Component Unit	Purpose	Interest Rates	Amount	Maturity Dates
Maine Health and Higher Educational Facilities Authority	General Resolution	4.95 - 7.55%	\$ 52,577	1986 - 2029
	Reserve Fund	2.5 - 6.375%	903,375	1992 - 2031
	Medium Term Financing Reserve Fund	4.0 - 8.25%	2,140	1993 - 2003
	Taxable Reserve Fund	7.03 - 9.34%	52,090	1993 - 2016
Subtotal			1,010,182	
Finance Authority of Maine	Construction Bonds	1.0 %	1,294	2003 - 2025
Maine Municipal Bond Bank	General Tax-Exempt Fund Group	3.0 - 7.15%	987,894	1991 - 2032
	Sewer and Water Fund Group	2.75 - 7.2%	63,230	1991 - 2028
	Special Obligation Taxable Fund Group	6.1 - 10.25%	1,450	1991 - 2009
Subtotal			1,052,574	
Maine Educational Loan Authority	Educational Loan Revenue Bonds	3.1 - 7.75%	64,185	1992 - 2030
Maine State Housing Authority	Mortgage Purchase Program	2.25 - 9.25%	1,402,241	2002 - 2038
	Housing Finance Revenue Program	4.4 - 6.3%	39,500	2002 - 2030
Subtotal			1,441,741	
Maine Maritime Academy	Revenue Bonds and Other Obligations	2.6 - 5.8%	2,803	2003 - 2023
Maine Technical College System	Building Construction Bonds	8.16%	230	2005
University of Maine System	1993 Series A Revenue Bonds	2.3 - 5.2%	7,320	1994 - 2009
	1993 Series B Refunding Bonds	3.15 - 5.5%	12,695	1995 - 2020
	1998 Series A Revenue Bonds	3.95 - 5.0%	26,982	2000 - 2024
	2000 Series A Revenue Bonds	4.5 - 5.75%	38,199	2001 - 2030
	2002 Series A Revenue Bonds	2.0 - 5.375%	45,660	2002 - 2012
Subtotal			130,856	
Total			\$3,703,865	

Debt service principal maturities for outstanding bonds of the discretely presented component units, from June 30, 2002 until maturity, are summarized in the following table:

**Component Units Principal Maturities**  
(Expressed in Thousands)

<u>Fiscal Year Ending</u>	<u>MHHEFA</u>	<u>FAME</u>	<u>MMBB</u>	<u>MELA</u>	<u>MSHA</u>	<u>MMA</u>	<u>MTCS</u>	<u>UMS</u>	<u>Totals</u>
2003	\$ 35,417	\$ 51	\$ 85,732	\$ 1,770	\$ 23,030	\$ 83	\$ 85	\$ 4,065	\$ 150,233
2004	35,417	51	86,197	1,714	30,690	90	85	5,040	159,284
2005	36,083	52	83,828	1,874	36,955	94	60	5,145	164,091
2006	36,331	52	81,746	1,870	43,125	98	-	5,370	168,592
2007	38,236	53	79,910	1,820	42,080	95	-	5,325	167,519
2008-2012	204,974	272	327,851	6,572	241,530	555	-	59,445	841,199
2013-2017	209,125	286	195,566	2,504	307,255	735	-	21,325	736,796
2018-2022	181,140	300	117,409	-	315,325	960	-	14,305	629,439
2023-2027	155,635	177	8,260	12,500	233,490	225	-	6,065	416,352
2028-2032	77,824	-	315	34,000	163,840	-	-	2,500	278,479
2033-2037	-	-	32	-	22,800	-	-	-	22,832
2038-2042	-	-	-	-	450	-	-	-	450
Less amounts deferred or unamortized	-	-	(14,272)	(439)	(18,829)	(132)	-	2,271	(31,401)
Total Principal Payments	<u>\$1,010,182</u>	<u>\$1,294</u>	<u>\$1,052,574</u>	<u>\$64,185</u>	<u>\$1,441,741</u>	<u>\$2,803</u>	<u>\$230</u>	<u>\$130,856</u>	<u>\$3,703,865</u>

## NOTE 12 - SELF-INSURANCE

### A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds. The Self-Insurance Internal Service Fund provides insurance advice and services to State governmental agencies, and the State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professional, and a variety of other insurance products. Not all departments elect to insure through the Risk Management Division. Specifically, the Department of Human Services and the Department of Transportation have elected not to purchase general liability insurance.

In many cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$200 million per occurrence. The State retains \$2 million of this risk per occurrence, with the remainder being covered by a private insurance carrier (excess insurance). Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

<u>Type of Insurance</u>	<u>Coverage Per Occurrence</u>	<u>Risk Retention Per Occurrence</u>	<u>Excess Insurance Per Occurrence</u>
Property	\$ 200 million	\$ 2 million	\$ 200 million
Ocean Marine Boat Liability	10 million	10 thousand	10 million
Loss of Software and Data	8 million	25 thousand	8 million
Boiler and Machinery	2 million	5 thousand	2 million
General Liability including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none

In the past, the State had coverage for Employee Bond – Food Stamps. That program is now electronic. The State plans on retaining the risk for Boiler and Machinery after July 3, 2003.

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of June 30, 2002. This cost of claims includes case reserves, the development of known claims and incurred-but-not-reported claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At June 30, 2001, \$3.2 million was reported as the present value of the estimated claims payable for the State's self-insurance plan. The actuary calculated this based on a 5.5 percent yield on investments. The non-discounted amount was \$3.6 million. At June 30, 2002, the State has estimated the range of loss between \$3.0 and \$3.5 million.

**Risk Management Fund  
Changes in Claims Payable**  
(Expressed in Thousands)

	<u>2002</u>	<u>2001</u>
Liability at beginning of year	\$3,219	\$3,219
Current year claims and changes in estimates	1,529	1,570
Claims payments	<u>1,411</u>	<u>1,570</u>
Liability at end of year	<u>\$3,337</u>	<u>\$3,219</u>

As of June 30, 2002, fund assets of \$16.1 million exceeded fund liabilities of \$3.7 million by \$12.4 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added \$50 thousand

coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to \$400 thousand. The effect of this change has not been incorporated into the estimate used to determine claims payable as of June 30, 2002.

**B. UNEMPLOYMENT INSURANCE**

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$717 thousand for the fiscal year ended June 30, 2002.

**C. WORKERS' COMPENSATION**

Workers' compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The balance of claims liabilities is based on an actuarial study as of June 30, 2001:

**Workers' Compensation Fund  
Changes in Claims Payable**  
(Expressed in Thousands)

	<u>2002</u>	<u>2001</u>
Liability at Beginning of Year	\$ 75,726	\$ 80,371
Current Year Claims and Changes in Estimates	9,170	2,861
Claims Payments	<u>9,170</u>	<u>7,506</u>
Liability at End of Year	<u>\$ 75,726</u>	<u>\$ 75,726</u>

Based on the actuarial calculation as of June 30, 2001, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$92.3 million. The discounted amount is \$75.7 million and was calculated based on a 4.25 percent yield on investments.

#### D. DISABILITY

State law allows confidential employees who become temporarily disabled to receive 66.67 percent of their salary for up to 335 calendar days. There were a total of 1,065 confidential employees at June 30, 2002. The liability amount for this benefit cannot be determined.

### NOTE 13 - JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in the Tri-State Lotto Commission (Commission).

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members.

The Commission has designated that 50 percent of its operating revenue be aggregated in a common prize pool. A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and zero-coupon U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on the amount of ticket sales made by each State.

Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State; Daily Number expenses that are allocated to each State based on Daily Number ticket sales; and certain other miscellaneous costs that are based on actual charges generated by each State.

The Tri-State Lotto Commission financial report for fiscal year 2002, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

#### Tri-State Lotto Commission (Expressed in Thousands)

Current Assets	\$ 45,527
Noncurrent Assets	<u>189,345</u>
Total Assets	<u>\$ 234,872</u>
Current Liabilities	\$ 39,387
Long-term Liabilities	<u>172,646</u>
Total Liabilities	<u>212,033</u>
Designated Prize Reserves	4,996
Unrealized Gain on Investments Held for Installment Prize Obligations	<u>17,843</u>
Total Retained Earnings	22,839
Total Liabilities and Retained Earnings	<u>\$ 234,872</u>
Total Revenue	\$ 80,330
Total Expenses	\$ 56,120
Allocation of Funds to Member States	\$ 24,587
Increase in Retained Earnings	\$ 2,327



**NOTE 14 - RELATED PARTY TRANSACTIONS****PRIMARY GOVERNMENT**

Title 20 M.R.S.A. §11473 establishes the Maine College Savings Program Fund (the Fund), administered by the Finance Authority of Maine (FAME). The Fund holds all monies associated with the Maine College Savings Program doing business as the NextGen College Investing Plan (NextGen). NextGen is the primary program of the Fund and was established to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The program has been designed to comply with the requirements for treatment as a "Qualified State Tuition Program" under Section 529 of the Internal Revenue Code. By statute, the program assets and liabilities are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen College Investing Plan had approximately \$1.2 billion in net assets at June 30, 2002, which have been recorded in an Agency Fund on the financial statements of the State.

In 1999, the Legislature established the Maine Learning Technology Endowment to enable the full integration of appropriate learning technologies into teaching and learning for the State's elementary and secondary students. At June 30, 2002, the value of this fund, invested with the Maine State Retirement System, a discretely presented component unit, was approximately \$31 million. The investment and related liability, recorded in the MSRS financial statements, have been eliminated for purposes of including MSRS as a component unit of the State of Maine, as the State has recorded the assets in a special revenue fund in its financial statements.

General Obligation Bonds of the State include \$370 thousand of self-liquidating bonds of the Maine Veterans' Home. The State issues the bonds, and the Maine Veterans' Home remits to the State the debt service as it comes due.

The State of Maine has entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Public Lands and the Bureau of Parks and Recreation. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the

management of the property included within the boundaries of the Reserve. The Authority's responsibilities are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan dated May 1991.

**RELATED ORGANIZATIONS**

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature has defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, has established the operating surplus at \$4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2002.

**COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$202.8 million; Child Development Services, \$17.8 million; Maine Technical College System, \$55.8 million; Maine Municipal Bond Bank, \$5.7 million; Finance Authority of Maine, \$13.8 million; Maine Maritime Academy, \$7.7 million; Maine State Housing Authority, \$9.1 million, and Northern New England Passenger Rail Authority, \$6.6 million. FAME returned \$1.7 million to the State from the Underground Storage revolving loan fund.

The University of Maine Foundation (Foundation) is an independent non-profit organization and, accordingly, its financial statements are not consolidated with those of the University of Maine System (System). Total gifts and income received by the System from the Foundation during the fiscal year ended June 30, 2002 was approximately \$4.2 million. The reported fair market value of the Foundation's assets at June 30, 2002 was approximately \$101.1 million. In May 2002, GASB issued Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. GASB 39 establishes new criteria for evaluating the need to include the Foundation as a component unit of the System. The Foundation appears to meet these revised criteria and is expected to be included as a component unit in the future.

The Finance Authority of Maine (FAME) administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$41 million at June 30, 2002, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2002, the State expended approximately \$2.3 million to FAME for State revolving loan funds.

Title 20-A M.R.S.A. Chapter 419-A establishes the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2002, FAME paid approximately \$6.2 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

## NOTE 15 - COMMITMENTS AND CONTINGENCIES

### PRIMARY GOVERNMENT

#### FEDERAL GRANTS

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

#### MUNICIPAL SOLID WASTE LANDFILLS

Title 38 M.R.S.A., §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for both municipal landfill closure and remediation projects totaled \$441 thousand for fiscal year 2002.

During the 2002 fiscal year, no State general funds were expended for municipal solid waste landfill closure projects, which completed work before January 1, 2000. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills. The Commissioner may make grants or payments up to 30% if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP

expects no further expenditures related to municipal landfill closures.

The State expended \$441 thousand of general obligation bond funds for municipal solid waste landfill remediation projects during fiscal year 2002. Remediation funding, subject to the availability of funds, will continue for 90% of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50% for structures constructed after that date. The DEP recognizes that, in the future, post closure investigation and remediation activities may be necessary at landfills that will require State funds. The DEP has estimated the amount of these potential costs to be approximately \$1.6 million, based on current site knowledge.

#### SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the sand and salt storage program to be \$11.2 million through the year 2005. This consists of approximately \$4.2 million for State-owned facilities and approximately \$7 million for the State's share, under a cost sharing arrangement, for municipal facilities.

#### POLLUTION ABATEMENT PROGRAM

Title 38 M.R.S.A. §411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2002 fiscal year, \$4.26 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2002, amounts encumbered for pollution abatement projects totaled \$2.17 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$7.9 million. At

June 30, 2002, DEP estimated the total cost (federal, State, and local) of future projects to be \$345 million.

#### **DESIGNATION AS A POTENTIALLY RESPONSIBLE PARTY BY THE ENVIRONMENTAL PROTECTION AGENCY**

The State has been identified as a potentially responsible party at three hazardous waste clean-up sites in Maine. These sites are located in Plymouth, Casco and Ellsworth. The amount or range of potential liability has not been determined.

#### **GROUND WATER OIL CLEAN-UP FUND**

The Ground Water Oil Clean-up Fund is established in Title 38 MRSA §569-A. Fund activities include, but are not limited to, providing insurance to public and private entities for clean up of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$1 million per occurrence for both aboveground and underground storage tanks. Third party injury coverage may not exceed \$200,000 per claimant.

A report to the legislature dated December 15, 2000, submitted by the Maine Department of Environmental Protection (DEP), identified 356 long-term remediation sites as of August 2000 that are covered by the insurance program. At June 30, 2002 there were 454 sites on the long-term remediation priority list. Since it is not possible for the DEP to estimate the cost of remediation, the State has not accrued a liability in the financial statements.

#### **CONSTRUCTION COMMITMENTS**

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes approximately 72% of the annual payments. As of June 30, 2002, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$804.3 million.

At June 30, 2002, the Department of Transportation had contractual commitments of approximately \$82.5 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$15.9 million. Of these amounts, \$15.9 million has already been accrued, with the State's share at \$5.4 million. Federal and State funds plus bond proceeds are expected to provide funding for these future expenditures.

#### **TOBACCO SETTLEMENTS**

On November 23, 1998, Maine along with 45 other states and five jurisdictions agreed to an out-of-court

settlement with certain Participating Tobacco Manufacturers (PM's) to recover smoking-related Medicaid costs. The PM's agreed to pay \$206 billion to the states and jurisdictions. In return, the states have agreed to relinquish claims to further damages resulting from Medicaid costs. Maine's percentage of the total settlement payment is 0.7693505%, which equals \$1.58 billion. Annual payments will fluctuate subject to various adjustments and litigation offsets and are contingent on the passage and enforcement of a State statute imposing economic conditions on the PM's. This settlement will result in an ongoing revenue stream to the State, which will continue into perpetuity.

As compensation, the PM's have also agreed to pay \$8.6 billion to certain states and jurisdictions for their contribution to the overall settlement. These payments are subject to the adjustments referred to above. Maine's share equals approximately \$114 million and will be received in ten annual payments beginning in 2008.

The State received \$56.3 million dollars from PM's during fiscal year 2002, and has accrued an additional \$55.8 million as receivable at June 30, 2002.

#### **DISCRETELY PRESENTED COMPONENT UNITS**

##### **NURSING HOME LOANS**

The owners of certain financially troubled nursing homes, with the concurrence of The Maine Health and Higher Educational Facilities Authority (MHHEFA), have begun refinancing portions of MHHEFA's loans and advances with the U.S. Department of Housing and Urban Development (HUD). Management of MHHEFA expects that these refinancings will reduce annual debt service requirements, thereby eliminating its exposure in the Taxable Financing Reserve Fund and reducing the overall exposure. In 2002, HUD completed refinancings for seven institutions which, at the time they were refinanced, had combined bond-related loans and advances due MHHEFA of approximately \$30.8 million. As part of the refinancing completed by HUD, MHHEFA agreed to issue 8% subordinated notes receivable to these seven institutions from its operating fund. These notes totaled \$3.2 million at June 30, 2002, earn interest only to the extent that cash payments are received and are subordinate to all HUD loans. Should these institutions fail to generate positive cash flow in future periods, it is likely that these notes will not be repaid.

Management of the Authority expects that the owners of two other facilities, with combined loans and advances due the Authority of approximately \$13.4 million at June 30, 2002, will complete refinancings during fiscal 2003. If the anticipated refinancings are not completed, it is likely that a number of nursing

homes included in the taxable financing reserve fund resolution will have difficulty in fully meeting their debt service obligations to the Authority.

In addition to the subordinated notes receivable from the seven institutions described above, the Authority has advanced approximately \$2.8 million from the operating fund as of June 30, 2002, to certain financially troubled institutions. The outstanding loans owed to the Authority total approximately \$28.2 million. These advances were made to assist these institutions in meeting debt service requirements. The Authority established a \$1.6 million reserve in its operating fund related to amounts that have been advanced or are expected to require an advance to troubled institutions.

#### CONSTITUTIONAL OBLIGATIONS

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by a resident Maine veteran. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2002, loans outstanding pursuant to these authorizations are \$42.1 million, less than \$1 million, and less than \$1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2002.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of

bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2002.

#### MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authority is required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding Moral Obligations:

#### Moral Obligation Bonds

(Expressed in Thousands)

<u>Issuer</u>	<u>Bonds Outstanding</u>	<u>Required Debt Reserve</u>	<u>Obligation Debt Limit</u>	<u>Legal Citation</u>
Maine Health and Higher Educational Facilities Authority	\$ 957,605	\$ 87,018	no limit	22 MRSA § 2075
Finance Authority of Maine	210,906	36,441	1,010,000	10 MRSA § 1032, 1053
Loring Development Authority	-	-	100,000	5 MRSA § 13080-N
Maine Municipal Bond Bank	1,066,846	124,104	no limit	30-A MRSA § 6006
Maine Educational Loan Authority	44,565	2,099	50,000	20-A MRSA § 11424
Maine State Housing Authority	<u>1,458,301</u>	<u>120,870</u>	1,650,000	30-A MRSA § 4906
Total	<u>\$ 3,738,223</u>	<u>\$370,532</u>		

**NOTE 16 - LITIGATION**

The State of Maine, its units and its employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. The following cases have the potential for liability in excess of \$1 million. The Attorney General cannot predict in which of the cases there is a higher or lower probability of paying out the full amounts sought. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

*Moody v. Maine State Lottery.* Plaintiff claims that the Maine State Lottery has engaged in breach of contract and fraud regarding the “Wild Card Cash” instant ticket game. Plaintiff believes the case is worth millions of dollars. A motion to Dismiss is pending. The Attorney General does not believe that the likelihood of success on a claim of over \$1 million is high.

*Levier v. Scarborough.* This is a suit in federal court brought by the representative of the Estate of James Levier who was killed as a result of gunfire from local and State policemen. Plaintiff has sought \$1 million or more. The matter is presently in discovery. The Attorney General expects motions for summary judgment to be filed and does not believe that an assessment of the likelihood of success of this claim is appropriate at this stage.

*Michael T. v Magnuson.* This is a civil rights case in which the attorneys for Plaintiff are seeking a settlement approaching \$1 million. This is a prisoner’s rights case, and the Attorney General does not believe that any recovery of \$1 million or more is likely.

*AJC v. BDS and DHS.* This case involves a contract claim brought by a service provider suggesting that the State interfered with its ability to contract. The demand

exceeds \$1 million. The Attorney General is at the early stages of this litigation; therefore it is not possible to fully assess the likelihood of success.

*Diaz Corporation v. MDOT.* This case involves an outstanding claim against the Department of Transportation for \$2.2 million with a medium probability of success for the Plaintiff and a possible loss of \$1.1 million to the Department of Transportation.

In various lawsuits, Plaintiffs seek damages in excess of \$1 million against the State or against State officials, and various notices of claim also specify damages in excess of \$1 million where no lawsuit has been filed. In none of these lawsuits, in the view of the Attorney General, is there any reasonable possibility that the State’s liability could reach or exceed \$1 million.

Numerous workers’ compensation claims are now pending against various State agencies. Since most claims involve the possibility for significant long-term damages, and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases spouse), it is difficult to estimate the total potential liability to the State.

In addition to the foregoing, various other suits are pending against the State, State agencies and State officials involving damages or other potential costs. Since the amounts sought are less than \$1 million, these suits have not been individually identified.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State.

**NOTE 17 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

On July 2, 2002, October 1, 2002, January 2, 2003 and April 1, 2003, the State issued \$21.2 million, \$34.8 million, \$17.3 million, and \$23.6 million respectively of Bond Anticipation Notes. The BAN's will mature on June 26, 2003.

On August 6, 2002, the State issued \$250 million of Tax Anticipation Notes which will become due on June 30, 2003.

On April 9, 2003, the State issued \$2.2 million of Certificates of Participation to purchase vehicles through its Central Fleet Management Internal Service Fund.

Chapter 20 PL 2003 amended 5 MRSA 17151 such that the unfunded liability attributable to state employees and teachers must be retired in no more than 25 years from June 30, 2003. It had previously been 19 years from June 30, 2000.

**COMPONENT UNITS**

On January 8, 2002, the Maine State Housing Authority (MSHA) issued \$8 million of its 2001 Series G bonds. The bonds carry interest rates ranging from 5.4% to 5.5% and maturities from 2012 – 2031. On March 12, 2002, MSHA issued \$30 million of its 2002 Series A bonds. The bonds carry interest rates ranging from 2.8% to 5.4% and maturities from 2004 – 2032. On March 20, 2002, and April 5, 2002 MSHA also redeemed, at par, \$53.2 million, of its Mortgage Purchase Program and Housing Finance Revenue Program bonds with interest rates between 4.65% - 9.25% and maturities from 2006 – 2035.

On August 8, 2002, the Bond Bank issued \$49.3 million of 2002 Series D Refunding Bonds to advance refund certain maturities of the Bond Bank's bonds, aggregating \$47.6 million. The refunding reduced total debt service payments through 2015 by approximately \$4.9 million.

As a result of legislation, members of the Maine Educational Loan Authority (MELA) conducted a study, performed by an independent third party, concerning whether changes to the structure and governance of MELA should be made. The final report, issued early in 2001, recommends that MELA continue to operate as a separate agency, continue the supplemental education loan program funded through tax-exempt bonds, and solicit proposals for an administrative services contract. Members of MELA do not expect the results of the study and any recommendations to significantly impact the loan program or the operations of MELA in the foreseeable future.

On July 1, 2002, the Maine Health and Higher Educational Facilities Authority (MHHEFA) issued \$56 million of 2002A Series and \$8 million of 2002B Series Revenue Bonds from the Reserve Fund. The bonds mature in 2003 - 2032 and carry interest rates ranging from 3.00% - 5.125%. The bonds are secured by loans made to institutions within the State of Maine.

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# **REQUIRED SUPPLEMENTARY INFORMATION**

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# Required Supplementary Information - Budgetary Reporting

## STATE OF MAINE BUDGETARY COMPARISON SCHEDULE MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues								
Taxes	\$ 2,390,281	\$ 2,328,377	\$ 2,220,306	\$ (108,071)	\$ 179,876	\$ 179,876	\$ 184,733	\$ 4,857
Assessments and Other	61,344	61,100	62,415	1,315	82,623	83,537	88,657	5,119
Federal Grants	12,818	19,880	21,593	1,713	-	-	-	-
Service Charges	22,671	25,862	28,218	2,356	5,904	5,934	5,696	(238)
Income from Investments	22,000	5,729	3,830	(1,899)	3,000	3,000	2,857	(143)
Miscellaneous Revenue	14,583	15,570	17,569	1,999	-	990	4,013	3,023
Total Revenues	<u>2,523,697</u>	<u>2,456,518</u>	<u>2,353,931</u>	<u>(102,587)</u>	<u>271,404</u>	<u>273,338</u>	<u>285,956</u>	<u>12,618</u>
Expenditures								
General Government	365,048	373,971	360,147	13,824	28,305	35,912	30,562	5,351
Economic Development	62,551	69,503	66,129	3,374	-	-	-	-
Education and Culture	1,157,034	1,166,905	1,157,222	9,683	-	-	-	-
Human Services	926,070	929,457	898,413	31,044	-	-	-	-
Labor	16,140	17,502	15,001	2,501	-	-	-	-
Natural Resources	54,469	55,659	51,703	3,956	48	48	39	9
Public Protection	25,782	27,332	24,849	2,483	25,827	27,183	25,507	1,676
Transportation	4,435	14,846	12,281	2,565	239,484	310,557	241,542	69,015
Total Expenditures	<u>2,611,529</u>	<u>2,655,175</u>	<u>2,585,745</u>	<u>69,430</u>	<u>293,663</u>	<u>373,700</u>	<u>297,650</u>	<u>76,050</u>
Revenues Over (Under) Expenditures	<u>(87,832)</u>	<u>(198,657)</u>	<u>(231,814)</u>	<u>(33,157)</u>	<u>(22,260)</u>	<u>(100,362)</u>	<u>(11,694)</u>	<u>88,668</u>
Other Financing Sources (Uses)								
Operating Transfers Net	(45,543)	(3,793)	4,866	8,659	159	(831)	(831)	-
Other Budgeted Resources	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(45,543)</u>	<u>(3,793)</u>	<u>4,866</u>	<u>8,659</u>	<u>159</u>	<u>(831)</u>	<u>(831)</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (133,375)</u>	<u>\$ (202,450)</u>	<u>(226,948)</u>	<u>\$ (24,498)</u>	<u>\$ (22,101)</u>	<u>\$ (101,194)</u>	<u>(12,525)</u>	<u>\$ 88,668</u>
Fund Balances at Beginning of Year (As Restated)			365,562				130,654	
Fund Balances at End of Year			<u>\$ 138,614</u>				<u>\$ 118,129</u>	



Federal Fund				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ 3	\$ 3	\$ 62,066	\$ 64,737	\$ 71,374	\$ 6,637
-	23	80	56	75,673	79,140	64,968	(14,172)
1,726,364	1,955,733	1,674,743	(280,990)	26,396	27,182	4,786	(22,396)
827	1,603	6,560	4,957	76,024	89,091	79,130	(9,961)
-	-	2,296	2,296	5,859	5,979	2,460	(3,519)
15,133	5,282	6,317	1,035	178,046	199,812	185,107	(14,704)
<u>1,742,324</u>	<u>1,962,642</u>	<u>1,689,998</u>	<u>(272,644)</u>	<u>424,064</u>	<u>465,940</u>	<u>407,826</u>	<u>(58,115)</u>
12,196	13,778	9,687	4,091	152,907	179,079	157,715	21,364
38,892	45,007	22,155	22,852	56,071	62,695	48,199	14,496
100,856	153,765	128,221	25,544	2,400	6,370	3,869	2,501
1,278,014	1,380,746	1,235,448	145,298	234,772	248,412	214,255	34,157
91,015	104,918	74,901	30,017	5,959	6,479	3,324	3,155
24,680	40,018	22,471	17,547	62,169	76,522	55,307	21,215
33,624	64,637	35,064	29,573	19,091	29,067	22,735	6,332
204,639	208,022	157,532	50,490	14,500	17,674	11,013	6,661
<u>1,783,917</u>	<u>2,010,891</u>	<u>1,685,480</u>	<u>325,411</u>	<u>547,868</u>	<u>626,297</u>	<u>516,417</u>	<u>109,881</u>
<u>(41,593)</u>	<u>(48,250)</u>	<u>4,518</u>	<u>52,768</u>	<u>(123,804)</u>	<u>(160,357)</u>	<u>(108,591)</u>	<u>51,766</u>
(1,094)	(1,322)	(1,181)	141	108,983	97,819	86,295	(11,524)
-	-	-	-	-	-	-	-
<u>(1,094)</u>	<u>(1,322)</u>	<u>(1,181)</u>	<u>141</u>	<u>108,983</u>	<u>97,819</u>	<u>86,295</u>	<u>(11,524)</u>
\$ <u>(42,686)</u>	\$ <u>(49,572)</u>	3,337	\$ <u>52,909</u>	\$ <u>(14,821)</u>	\$ <u>(62,538)</u>	(22,296)	\$ <u>40,242</u>
		(15,673)				300,629	
		\$ <u>(12,336)</u>				\$ <u>278,333</u>	

## Required Supplementary Information - Budgetary Reporting

### STATE OF MAINE BUDGET-TO-GAAP RECONCILIATION MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Fund	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	\$ 138,614	\$ 118,129	\$ (12,336)	\$ 278,333
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	138,558	143	-	141
Intergovernmental Receivables	-	-	(37,048)	-
Other Receivables	20,395	(11,585)	-	45,877
Due from Other Funds	7,656	256	9,821	435
Other Assets	5,754	3,722	(3,836)	6,355
Deferred Revenues	(35,459)	(4,350)	-	-
Total Revenue Accruals/Adjustments	<u>136,904</u>	<u>(11,814)</u>	<u>(31,063)</u>	<u>52,808</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(108,261)	(15,041)	72,770	(22,943)
Due to Component Units	(3,293)	(324)	(4,538)	(2,138)
Accrued Liabilities	(19,245)	(6,436)	-	(6,357)
Due to Other Funds	(8,488)	(3,711)	(3,997)	(33,720)
Tax Refunds Payable	(115,904)	-	-	-
Total Expenditure Accruals/Adjustments	<u>(255,192)</u>	<u>(25,512)</u>	<u>64,235</u>	<u>(65,158)</u>
Fund Balances - GAAP Basis	<u>\$ 20,326</u>	<u>\$ 80,803</u>	<u>\$ 20,836</u>	<u>\$ 265,983</u>

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING**

### **Statutory/Budgetary Presentation**

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds. (Note 2 of the basic financial statements identifies the annually budgeted operating funds.)

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2001-2002, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 4, 2001, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 4, 2002, rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

## Required Supplementary Information – State Retirement Plan

### Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2002	5,920,475,637	8,511,834,626	2,591,358,989	69.6%	1,413,262,420	183.4%
June 30, 2001	5,844,838,370	7,997,931,582	2,153,093,212	73.1%	1,326,375,573	162.3%
June 30, 2000	5,528,795,711	7,491,075,545	1,962,279,834	73.8%	1,271,009,158	154.4%
June 30, 1999	4,881,389,092	7,053,934,465	2,172,545,373	69.2%	1,209,804,594	179.6%
June 30, 1998	4,325,864,097	6,706,620,132	2,380,756,055	64.5%	1,165,614,285	204.2%

### Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2002	242,486,089	242,486,089	100.0%
2001	247,526,221	247,526,221	100.0%
2000	232,878,658	236,878,658	101.7%
1999	246,155,629	268,001,527	108.9%
1998	218,506,594	239,915,051	109.8%

<b>Required Supplementary Information – Participating Local District Plan</b>
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### Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2002	1,692,033,523	1,377,659,381	(314,374,142)	122.8%	268,161,476	-117.2%
June 30, 2001	1,544,720,492	1,427,090,054	(117,630,438)	108.2%	254,155,180	-46.3%
June 30, 2000	1,498,729,722	1,351,640,782	(147,088,940)	110.9%	244,163,272	-60.2%
June 30, 1999	1,354,840,239	1,278,819,201	(76,021,038)	105.9%	233,507,942	-32.6%
June 30, 1998	1,066,810,947	1,147,652,930	80,841,983	93.0%	223,525,533	36.2%

### Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2002	10,017,340	173,065,194	100.0%
2001	17,122,717	17,122,717	100.0%
2000	13,433,467	13,433,467	100.0%
1999	23,475,495	23,475,495	100.0%
1998	27,355,304	27,355,304	100.0%

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **PENSION INFORMATION**

#### **Basis of Presentation**

For financial statement reporting purposes, the information provided on the required supplementary information schedules includes amounts for employees of participating local districts as well as combined amounts for State employees, teachers, judicial and legislative employees.

#### **Actuarial Assumptions and Methods:**

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2002, is as follows:

#### **Funding Method**

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll). Under this method the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payroll. Entry age is defined as the first day service is credited under the plan.

Experience gains and losses, i.e., decreases or increases in liabilities when actual experience differs from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

#### **Asset Valuation Method**

Assets are valued for funding purposes using a three-year moving average. Under this method, the year-end actuarial asset value equals 1/3 of the current fiscal year-end fair value, as reported in the financial statements, plus 2/3 of the "expected market value." For purposes of this calculation, the "expected market value" is the preceding fiscal year's actuarial asset value, adjusted for the current fiscal year's cash flows with interest accumulated at the actuarial assumed rate of return on investments.

#### **Amortization**

The unfunded actuarial liability is amortized on a level percentage of payroll over a 19 year closed period from June 30, 2000.

During fiscal year 2002, various PLD's contributed approximately \$163,000,000 to decrease their initial unpooled unfunded actuarial liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2002 are as follows:

**Investment Return** – 8% per annum, compounded annually

**Salary Increases** – 5.5% to 9.5% per year (included inflation of 5.5%)

**Mortality Rates** – Active State employee members and active participating local entity members – UP 1994 Tables; Active teacher members – 85% of UP 1994 Tables; Non-disabled State employee retirees and non-disabled participating local entity retirees – GAM 1971 Tables; Non-disabled teacher retirees – GAM 1971 Tables set back two years; All current recipients of disability benefits – 1964 Commissioners Disability Table;

All disability benefit recipients who begin to receive benefits in 2000 and thereafter – RPA 1994 Table for pre-1995 Disabilities.

Post Retirement Benefit Increases – 4% per annum

**Group Life Plan:**

The Group Life Insurance Program administered by the System provides for a life insurance benefit for active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements with employees. Assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2002 and 2001, the net assets held in trust for group life insurance benefits were \$36.6 million and \$35.2 million, respectively. At June 30, 2002 and 2001, the plan had the following actuarially determined liabilities:

	(In millions)	
	<u>2002</u>	<u>2001</u>
Actuarial Liabilities:		
Active Members	\$ 40.3	\$ 36.4
Retired Members	<u>42.9</u>	<u>43.1</u>
Total	<u>\$ 83.2</u>	<u>\$ 79.5</u>

## Required Supplementary Information – Information about Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, the State has adopted an alternative process for recording depreciation expense on selected infrastructures assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include approximately 8,698 highway miles or 17,664 lane miles of roads and approximately 2,960 bridges having a total deck area of 11.10 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

### Roads

#### **Measurement Scale for Highways**

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases.
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built v Unbuilt roadway)	15	A “Built” road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. “Unbuilt” (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility’s AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points.
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
	100	



### Assessed Conditions

The following table shows the adequacy ratings for maintenance levels from Excellent to Poor. It is the Department's intent to keep the highway system at a level considered fair or better.

Highway Adequacy Rating	Total
Excellent	80-100
Good	70-80
Fair	60-70
Poor	0-60

### Bridges

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0% to represent an entirely insufficient or deficient bridge, and 100% to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation's Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reductions	(13%)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

### Budgeted and Estimated Costs to Maintain

The following table presents the State's preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions). DOT did not collect estimated information in this format for earlier years.

Fiscal Year	Estimated Spending	Actual Spending
2003	\$ 36	\$ -
2002	-	41.4
2001	-	29.4
2000	-	28.9
1999	-	24.5
1998	-	16.4

It is the Department's goal to maintain an adequacy rating of 60 or higher for both highways and bridges. In FY 2002, the Department achieved adequacy ratings of 76.6 for highways, and 77.0 for bridges. Chapter 38, P&S 2001, authorized \$61 million of transportation bonds for improvements to highways and bridges.



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**COMBINING AND  
INDIVIDUAL FUND  
FINANCIAL STATEMENTS  
AND SCHEDULES  
NON-MAJOR FUNDS**

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**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

June 30, 2002  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals Other Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ 130	\$ 6,875	\$ 2	\$ 7,007
Investments	49,162	2,745	-	51,907
Restricted Deposits and Investments	30,850	23,382	-	54,232
Total Current Assets	<u>80,142</u>	<u>33,002</u>	<u>2</u>	<u>113,146</u>
Noncurrent Assets				
Investments	16	1,619	10,270	11,905
Total Noncurrent Assets	<u>16</u>	<u>1,619</u>	<u>10,270</u>	<u>11,905</u>
Total Assets	<u>\$ 80,158</u>	<u>\$ 34,621</u>	<u>\$ 10,272</u>	<u>\$ 125,051</u>
<b>Liabilities and Fund Balances</b>				
Current Liabilities:				
Accounts Payable	\$ -	\$ 1,039	\$ -	\$ 1,039
Due to Component Units	-	2,041	-	2,041
Deferred Revenue	567	-	-	567
Other Accrued Liabilities	2	-	-	2
Total Current Liabilities	<u>569</u>	<u>3,080</u>	<u>-</u>	<u>3,649</u>
Total Liabilities	<u>569</u>	<u>3,080</u>	<u>-</u>	<u>3,649</u>
Fund Balances:				
Reserved				
Continuing Appropriations	30,433	-	-	30,433
Capital Projects	-	31,541	-	31,541
Permanent Trusts	-	-	10,272	10,272
Other	49,156	-	-	49,156
Total Fund Balances	<u>79,589</u>	<u>31,541</u>	<u>10,272</u>	<u>121,402</u>
Total Liabilities and Fund Balances	<u>\$ 80,158</u>	<u>\$ 34,621</u>	<u>\$ 10,272</u>	<u>\$ 125,051</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Funds</b>	<b>Totals Other Governmental Funds</b>
Revenues:				
Investment Income (Loss)	\$ (1,772)	\$ (686)	\$ (639)	\$ (3,097)
Miscellaneous Revenues	1,432	-	-	1,432
Total Revenues	(340)	(686)	(639)	(1,665)
Expenditures:				
Current:				
General Government	133	6,321	-	6,454
Economic Development	-	1,250	-	1,250
Education and Culture	-	32,264	-	32,264
Human Services	-	2,104	-	2,104
Natural Resources	-	7,457	-	7,457
Transportation	-	11,583	-	11,583
Total Expenditures	133	60,979	-	61,112
Revenues over (under) Expenditures	(473)	(61,665)	(639)	(62,777)
Other Financing Sources (Uses):				
Transfers from Other Funds	899	-	-	899
Transfers to Other Funds	(26,236)	(4,000)	-	(30,236)
Bonds Issued	-	27,610	-	27,610
Net Other Financing Sources (Uses)	(25,337)	23,610	-	(1,727)
Revenues and Other Sources over (under) Expenditures and Other Uses	(25,810)	(38,055)	(639)	(64,504)
Fund Balances at Beginning of Year (As Restated)	105,399	69,596	10,911	185,906
Fund Balances at End of Year	\$ 79,589	\$ 31,541	\$ 10,272	\$ 121,402



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# NON-MAJOR GOVERNMENTAL FUNDS

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## Special Revenue Funds

Learning Technology Fund – This fund accounts for funds dedicated by the Legislature and by other private and public sources for the advancement of learning technology for elementary and secondary students in Maine.

Baxter Park Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, which allows for the principal and interest to be used

to purchase public reserved lands. Interest income may also be used for operations of the Baxter State Park.

Revenue on Permanent Funds Fund – This fund accounts for expendable earnings on permanent fund balances.

## Capital Projects Funds

General Bond Fund – This fund accounts for the acquisition or construction of major capital facilities, other than highways and bridges that are financed primarily from proceeds of general obligation bonds.

The State also includes proceeds from bond issues for purposes other than construction of major capital facilities in this fund.

## Permanent Funds

Baxter Park Trust Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, calling for principal to be maintained intact and income to be used for operations.

Other Trust Funds – These funds are comprised of numerous small Permanent Funds, the income from which may be used for specified purposes.

**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

June 30, 2002  
(Expressed in Thousands)

	<u>Learning Technology Endowment</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ 81	\$ -	\$ 49	\$ 130
Investments	-	49,156	6	49,162
Restricted Deposits and Investments	30,850	-	-	30,850
Total Current Assets	<u>30,931</u>	<u>49,156</u>	<u>55</u>	<u>80,142</u>
Noncurrent Assets				
Investments	16	-	-	16
Total Noncurrent Assets	<u>16</u>	<u>-</u>	<u>-</u>	<u>16</u>
Total Assets	<u>\$ 30,947</u>	<u>\$ 49,156</u>	<u>\$ 55</u>	<u>\$ 80,158</u>
<b>Liabilities and Fund Balances</b>				
Current Liabilities:				
Deferred Revenue	\$ 567	\$ -	\$ -	\$ 567
Other Accrued Liabilities	-	-	2	2
Total Current Liabilities	<u>567</u>	<u>-</u>	<u>2</u>	<u>569</u>
Total Liabilities	<u>567</u>	<u>-</u>	<u>2</u>	<u>569</u>
Fund Balances:				
Reserved				
Continuing Appropriations	30,380	-	53	30,433
Other	-	49,156	-	49,156
Total Fund Balances	<u>30,380</u>	<u>49,156</u>	<u>53</u>	<u>79,589</u>
Total Liabilities and Fund Balances	<u>\$ 30,947</u>	<u>\$ 49,156</u>	<u>\$ 55</u>	<u>\$ 80,158</u>



**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>Learning Technology Endowment</b>	<b>Baxter Park</b>	<b>Revenue on Permanent Funds</b>	<b>Totals Special Revenue Funds</b>
Revenues:				
Investment Income (Loss)	\$ 813	\$ (3,029)	\$ 444	\$ (1,772)
Miscellaneous Revenues	1,432	-	-	1,432
Total Revenues	2,245	(3,029)	444	(340)
Expenditures:				
Current:				
General Government	-	-	133	133
Total Expenditures	-	-	133	133
Revenues over (under) Expenditures	2,245	(3,029)	311	(473)
Other Financing Sources (Uses):				
Transfers from Other Funds	-	-	899	899
Transfers to Other Funds	(23,592)	(1,382)	(1,262)	(26,236)
Net Other Financing Sources (Uses)	(23,592)	(1,382)	(363)	(25,337)
Revenues and Other Sources over (under) Expenditures and Other Uses	(21,347)	(4,411)	(52)	(25,810)
Fund Balances at Beginning of Year (As Restated)	51,727	53,567	105	105,399
Fund Balances at End of Year	\$ 30,380	\$ 49,156	\$ 53	\$ 79,589

**STATE OF MAINE  
BALANCE SHEET  
NON-MAJOR CAPITAL PROJECTS FUND**

June 30, 2002  
(Expressed in Thousands)

	<u>General Bond Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Short-Term Investments	\$ 6,875
Investments	2,745
Restricted Deposits and Investments	<u>23,382</u>
Total Current Assets	<u>33,002</u>
Noncurrent Assets	
Investments	<u>1,619</u>
Total Noncurrent Assets	<u>1,619</u>
Total Assets	<u>\$ 34,621</u>
<b>Liabilities and Fund Balances</b>	
Current Liabilities:	
Accounts Payable	\$ 1,039
Due to Component Units	<u>2,041</u>
Total Current Liabilities	<u>3,080</u>
Total Liabilities	<u>3,080</u>
Fund Balances:	
Reserved	
Capital Projects	31,541
Total Fund Balances	<u>31,541</u>
Total Liabilities and Fund Balances	<u>\$ 34,621</u>

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR CAPITAL PROJECTS FUND**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<u>General Bond Fund</u>
Revenues:	
Investment Income (Loss)	\$ <u>(686)</u>
Total Revenues	<u>(686)</u>
Expenditures:	
Current:	
General Government	6,321
Economic Development	1,250
Education and Culture	32,264
Human Services	2,104
Natural Resources	7,457
Transportation	<u>11,583</u>
Total Expenditures	<u>60,979</u>
Revenues over (under) Expenditures	<u>(61,665)</u>
Other Financing Sources (Uses):	
Transfers to Other Funds	(4,000)
Bonds Issued	<u>27,610</u>
Net Other Financing Sources (Uses)	<u>23,610</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	(38,055)
Fund Balances at Beginning of Year (As Restated)	<u>69,596</u>
Fund Balances at End of Year	\$ <u><u>31,541</u></u>

**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR PERMANENT FUNDS**

June 30, 2002  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
<b>Assets</b>			
Current Assets:			
Cash and Short-Term Investments	\$ -	\$ 2	\$ 2
Total Current Assets	<u>-</u>	<u>2</u>	<u>2</u>
Noncurrent Assets			
Investments	4,488	5,782	10,270
Total Noncurrent Assets	<u>4,488</u>	<u>5,782</u>	<u>10,270</u>
Total Assets	<u>\$ 4,488</u>	<u>\$ 5,784</u>	<u>\$ 10,272</u>
<b>Liabilities and Fund Balances</b>			
Total Liabilities	\$ -	\$ -	\$ -
Fund Balances:			
Reserved			
Permanent Trusts	4,488	5,784	10,272
Total Fund Balances	<u>4,488</u>	<u>5,784</u>	<u>10,272</u>
Total Liabilities and Fund Balances	<u>\$ 4,488</u>	<u>\$ 5,784</u>	<u>\$ 10,272</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR PERMANENT FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>Baxter Trust</b>	<b>Other Trusts</b>	<b>Totals Permanent Funds</b>
Revenues:			
Investment Income (Loss)	\$ (158)	\$ (481)	\$ (639)
Total Revenues	(158)	(481)	(639)
Expenditures:			
Total Expenditures	-	-	-
Revenues over (under) Expenditures	(158)	(481)	(639)
Other Financing Sources (Uses):			
Net Other Financing Sources (Uses)	-	-	-
Revenues and Other Sources over (under) Expenditures and Other Uses	(158)	(481)	(639)
Fund Balances at Beginning of Year (As Restated)	4,646	6,265	10,911
Fund Balances at End of Year	\$ 4,488	\$ 5,784	\$ 10,272



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# NON-MAJOR ENTERPRISE FUNDS

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Alcoholic Beverages Fund – This fund was established to license and regulate the sale of alcoholic beverages. The net profit from the fund is transferred to the State's General Fund and is used for general government purposes.

Lottery Fund – This fund was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission, which was established in 1985 and is a joint venture between the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the prices of tickets, the number and size of prizes for winning tickets, and the licensing of agents.

Potato Marketing Improvement Fund – This fund provides low interest loans to potato growers for the modernization of storage facilities and improvements in the handling of the product.

Seed Potato Board Fund – This fund accounts for the growing of nuclear seed for sale to potato growers, for research in disease control, and the development of new product varieties.

State Airport Fund – This fund accounts for all operations and maintenance of the Maine State Airport. The State, through the Department of Transportation, entered into a lease/purchase agreement with the City of Augusta to operate and eventually own the airport.

Marine Ports Fund – This fund is used to account for the operation and maintenance of port facilities within the jurisdiction of the Department of Transportation.

State Ferry Service Fund – This fund accounts for the operation of ferry services between the mainland and various islands for the purpose of transporting vehicles, freight, and passengers to and from those islands.

Prison Industries Fund – This fund accounts for a self-supporting program of job training through the employment of inmates in manufacturing and selling products.

Community Industrial Building Fund – This fund is used to assist a local development corporation to construct a community industrial building by lending money when the project can reasonably be expected to create new employment. Preference is given to projects in economically deprived areas.

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Alcoholic Beverages	Lottery	Potato Marketing & Improvement	Seed Potato
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ 1,325	\$ 350	\$ -	\$ 55
Investments	462	-	-	18
Inventories	1,952	-	-	1
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	1,560	8,493	-	27
Due from Other Funds	444	128	-	-
Other Current Assets	-	28	-	-
Total Current Assets	<u>5,743</u>	<u>8,999</u>	<u>-</u>	<u>101</u>
Noncurrent Assets				
Investments	272	-	-	11
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	-
Fixed Assets - Net of Depreciation	9	39	-	767
Total Noncurrent Assets	<u>281</u>	<u>39</u>	<u>-</u>	<u>778</u>
Total Assets	<u>\$ 6,024</u>	<u>\$ 9,038</u>	<u>\$ -</u>	<u>\$ 879</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 4,110	\$ 1,590	\$ -	\$ 18
Accrued Payroll	192	73	-	28
Due to Other Funds	112	228	-	-
Current Portion of Long-Term Obligations:				
Compensated Absences	24	10	-	2
Deferred Revenue	-	281	-	39
Other Accrued Liabilities	377	7,035	-	71
Total Current Liabilities	<u>4,815</u>	<u>9,217</u>	<u>-</u>	<u>158</u>
Long-Term Liabilities:				
Working Capital Advances Payable	1,000	-	-	-
Noncurrent Portion of Long-Term Obligations:				
Compensated Absences	209	87	-	21
Total Long-Term Liabilities	<u>1,209</u>	<u>87</u>	<u>-</u>	<u>21</u>
Total Liabilities	<u>6,024</u>	<u>9,304</u>	<u>-</u>	<u>179</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	-	-	-
Unrestricted	-	(266)	-	700
Total Net Assets	<u>\$ -</u>	<u>\$ (266)</u>	<u>\$ -</u>	<u>\$ 700</u>



						Totals
Airport	Marine Ports	Ferry Service	Prison	Community Industrial Building	Other Enterprise Funds	
\$ 163	\$ 383	\$ 161	\$ 99	\$ -	\$ -	2,536
63	163	63	36	-	-	805
-	-	225	451	-	-	2,629
-	-	127	17	-	-	10,224
-	-	2	-	-	-	574
-	-	-	-	-	-	28
<u>226</u>	<u>546</u>	<u>578</u>	<u>603</u>	<u>-</u>	<u>-</u>	<u>16,796</u>
37	96	37	21	-	-	474
7	-	-	-	-	-	7
<u>4,853</u>	<u>30,018</u>	<u>23,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,941</u>
<u>4,897</u>	<u>30,114</u>	<u>23,292</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>59,422</u>
\$ <u>5,123</u>	\$ <u>30,660</u>	\$ <u>23,870</u>	\$ <u>624</u>	\$ <u>-</u>	\$ <u>-</u>	<u>76,218</u>
\$ 100	\$ 1	\$ 137	\$ 10	\$ -	\$ -	5,966
-	-	141	17	-	-	451
-	-	-	-	-	-	340
-	-	17	1	-	-	54
-	-	-	-	39	-	359
-	-	-	-	-	-	7,483
<u>100</u>	<u>1</u>	<u>295</u>	<u>28</u>	<u>39</u>	<u>-</u>	<u>14,653</u>
-	-	-	-	-	-	1,000
-	-	146	9	-	-	472
-	-	146	9	-	-	1,472
<u>100</u>	<u>1</u>	<u>441</u>	<u>37</u>	<u>39</u>	<u>-</u>	<u>16,125</u>
4,640	26,651	22,184	204	-	-	53,679
383	4,008	1,245	383	(39)	-	6,414
<u>\$ 5,023</u>	<u>\$ 30,659</u>	<u>\$ 23,429</u>	<u>\$ 587</u>	<u>\$ (39)</u>	<u>\$ -</u>	<u>60,093</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>Alcoholic Beverages</b>	<b>Lottery</b>	<b>Potato Marketing &amp; Improvement</b>	<b>Seed Potato</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 81,620	\$ 159,133	\$ -	\$ 297
Miscellaneous Revenues	-	1	-	-
Total Operating Revenues	<u>81,620</u>	<u>159,134</u>	<u>-</u>	<u>297</u>
<b>Operating Expenses</b>				
General Operations	56,880	120,516	5	621
Depreciation	16	4	-	54
Total Operating Expenses	<u>56,896</u>	<u>120,520</u>	<u>5</u>	<u>675</u>
Operating Income (Loss)	<u>24,724</u>	<u>38,614</u>	<u>(5)</u>	<u>(378)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses) - net	-	301	-	64
Total Nonoperating Revenues (Expenses)	-	301	-	64
Income (Loss) Before Capital Contributions and Transfers	<u>24,724</u>	<u>38,915</u>	<u>(5)</u>	<u>(314)</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	-	-		-
Transfers from (to) Other Funds	<u>(24,724)</u>	<u>(39,181)</u>	<u>(9,179)</u>	<u>295</u>
Total Capital Contributions and Transfers In (Out)	<u>(24,724)</u>	<u>(39,181)</u>	<u>(9,179)</u>	<u>295</u>
Change in Net Assets	-	(266)	(9,184)	(19)
Total Net Assets - Beginning of Year	-	-	9,184	719
Total Net Assets - End of Year	<u>\$ -</u>	<u>\$ (266)</u>	<u>\$ -</u>	<u>\$ 700</u>

					Totals
Airport	Marine Ports	Ferry Service	Prison	Community Industrial Building	Other Enterprise Funds
\$ 145	\$ 9	\$ 2,753	\$ 1,252	\$ -	\$ 245,209
-	-	-	-	-	1
145	9	2,753	1,252	-	245,210
452	2,871	5,448	1,291	-	188,084
546	1,961	1,118	9	-	3,708
998	4,832	6,566	1,300	-	191,792
(853)	(4,823)	(3,813)	(48)	-	53,418
12	44	33	10	-	464
12	44	33	10	-	464
(841)	(4,779)	(3,780)	(38)	-	53,882
(541)	1,393	1,196	-	-	2,048
254	36	2,549	-	-	(69,950)
(287)	1,429	3,745	-	-	(67,902)
(1,128)	(3,350)	(35)	(38)	-	(14,020)
6,151	34,009	23,464	625	(39)	74,113
\$ 5,023	\$ 30,659	\$ 23,429	\$ 587	\$ (39)	\$ 60,093

**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Alcoholic Beverages	Lottery	Potato Marketing & Improvement	Seed Potato
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 82,836	\$ 160,133	\$ 8,126	\$ 299
Payments to Prize Winners	-	(94,199)	-	-
Payments to Suppliers	(54,233)	(25,957)	(356)	(192)
Payments to Employees	(3,741)	(1,212)	-	(398)
Net Cash Provided (Used) by Operating Activities	<u>24,862</u>	<u>38,765</u>	<u>7,770</u>	<u>(291)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers in	-	-	-	295
Operating Transfers out	(24,724)	(39,181)	(4,180)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(24,724)</u>	<u>(39,181)</u>	<u>(4,180)</u>	<u>295</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(6)	(25)	-	(80)
Capital Contributions	-	-	(5,000)	-
Proceeds from Sale of Capital Assets	1	139	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(5)</u>	<u>114</u>	<u>(5,000)</u>	<u>(80)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	-	302	-	64
Payments to Purchase Investments	(95)	-	-	-
Proceeds from Sale of Investments	-	-	597	10
Net Cash Provided (Used) by Investing Activities	<u>(95)</u>	<u>302</u>	<u>597</u>	<u>74</u>
Net Increase (Decrease) in Cash/Cash Equivalents	38	-	(813)	(2)
Cash/Cash Equivalents - Beginning of Year	<u>1,287</u>	<u>350</u>	<u>813</u>	<u>57</u>
Cash/Cash Equivalents - End of Year	<u>\$ 1,325</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ 55</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 24,724	\$ 38,614	\$ (5)	\$ (378)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	16	4		54
Decrease (Increase) in Assets				
Accounts Receivable	99	1,126	8,126	2
Interfund Balances		(128)		
Inventories	1,118			
Increase (Decrease) in Liabilities				
Accounts Payable	(637)	(1,871)	(337)	18
Accrued Payroll Expenses	(55)	(3)		
Change in Compensated Absences	(18)	3		
Other Accruals	(385)	1,020	(14)	13
Total Adjustments	<u>138</u>	<u>151</u>	<u>7,775</u>	<u>87</u>
Net Cash Used by Operating Activities	<u>\$ 24,862</u>	<u>\$ 38,765</u>	<u>\$ 7,770</u>	<u>\$ (291)</u>

					Totals
					Other Enterprise Funds
Airport	Marine Ports	Ferry Service	Prison		
\$ 145	\$ 9	\$ 2,706	\$ 1,254	\$	255,508
-	-	-	-		(94,199)
(358)	(2,870)	(1,754)	(951)		(86,671)
-	-	(3,532)	(325)		(9,208)
(213)	(2,861)	(2,580)	(22)		65,430
254	36	2,549	-		3,134
-	-	-	-		(68,085)
254	36	2,549	-		(64,951)
(1)	(1,393)	(2,249)	-		(3,754)
-	1,393	2,242	-		(1,365)
-	-	-	-		140
(1)	-	(7)	-		(4,979)
11	44	34	10		465
-	-	-	-		(95)
(10)	1,187	11	14		1,809
1	1,231	45	24		2,179
41	(1,594)	7	2		(2,321)
122	1,977	154	97		4,857
\$ 163	\$ 383	\$ 161	\$ 99	\$	2,536
\$ (853)	\$ (4,823)	\$ (3,813)	\$ (48)	\$	53,418
546	1,961	1,118	9		3,708
	-	(49)	3		9,307
	-	2	11		(115)
			(11)		1,107
94	1	137	11		(2,584)
	-	6	4		(48)
	-	27	(1)		11
	-	(8)			626
640	1,962	1,233	26		12,012
\$ (213)	\$ (2,861)	\$ (2,580)	\$ (22)	\$	65,430



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# INTERNAL SERVICE FUNDS

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*Motor Transport Service Fund* – This fund accounts for all the equipment and vehicle operations of the Department of Transportation.

*Postal, Printing and Supply Fund* – This fund accounts for the purchase of general office supplies, materials and photocopiers required by any State department or agency, the purchase of and contract for all postal and mailing services, duplicating needs, and the acquisition and disposition of State and federal surplus property. This fund is also used to administer the State's Procurement Card Program.

*Information Services Fund* – This fund accounts for the costs of providing information services in data processing and telecommunications and for coordinating data processing services including computer operations, programming and applications systems development, technical support and networking services.

*Risk Management Fund* – This fund accounts for resources generated and used to provide insurance advice and services for all forms of insurance except health and workers' compensation. This includes insurance for automobile, fire, liability and any other type of coverage that may be necessary to protect the State against financial loss.

*Workers' Compensation Fund* – This fund accounts for resources generated and used to provide workers' compensation advice and insurance services.

*Central Fleet Management Fund* – This fund accounts for the cost of administering a uniform program for the operation and maintenance of all State vehicles except those of the Department of Transportation and Public Safety.

*Leased Space Fund* – This fund accounts for State facilities leasing activities and maintains records of State agency property, leasing needs and all available space owned, leased and potentially available for lease.

*Revenue Services Fund* – This fund accounts for the resources generated and used to provide up-to-date information to facilitate compliance with Maine tax law and to help reduce common mistakes in filing tax forms.

*Retiree Health Insurance Fund* – This fund accounts for post retirement health care premiums and benefits for most retired state employees and Legislators, and for a portion of the premiums for teachers.

*Employee Health Insurance Fund* – This fund accounts for health care premiums and benefits for most state employees.

*Governmental Facilities Authority Fund* – This fund includes the operations of the Maine Governmental Facilities Authority, a blended component unit. The Authority was created to assist in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space.

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**

June 30, 2002  
(Expressed in Thousands)

	<b>Motor Transport Service</b>	<b>Postal Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Assets</b>				
Current Assets:				
Cash and Short-Term Investments	\$ 4,268	\$ 404	\$ 2,042	\$ 9,476
Cash with Fiscal Agent	485	-	-	-
Investments	1,739	163	833	3,859
Restricted Deposits and Investments	-	-	-	-
Inventories	3,254	881	-	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	2	57	395	6
Due from Other Funds	957	1,930	6,092	290
Other Current Assets	98	8	289	205
Total Current Assets	<u>10,803</u>	<u>3,443</u>	<u>9,651</u>	<u>13,836</u>
Noncurrent Assets				
Investments	1,025	96	491	2,273
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	-
Fixed Assets - Net of Depreciation	32,724	114	5,847	5
Total Noncurrent Assets	<u>33,749</u>	<u>210</u>	<u>6,338</u>	<u>2,278</u>
Total Assets	<u>\$ 44,552</u>	<u>\$ 3,653</u>	<u>\$ 15,989</u>	<u>\$ 16,114</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 961	\$ 2,429	\$ 5,006	\$ -
Accrued Payroll	421	133	658	17
Due to Other Funds	139	127	190	138
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	1,547	-	-	-
Compensated Absences	421	127	688	15
Deferred Revenue	-	-	1,868	175
Other Accrued Liabilities	-	-	-	-
Total Current Liabilities	<u>3,489</u>	<u>2,816</u>	<u>8,410</u>	<u>345</u>
Long-Term Liabilities:				
Working Capital Advances Payable	2,199	111	-	-
Deferred Revenue	-	-	-	-
Noncurrent Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	5,829	-	-	-
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	3,337
Total Long-Term Liabilities	<u>8,028</u>	<u>111</u>	<u>-</u>	<u>3,337</u>
Total Liabilities	<u>11,517</u>	<u>2,927</u>	<u>8,410</u>	<u>3,682</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	15,623	-	79	227
Restricted For:				
Other Purposes	17,412	726	7,500	12,205
Total Net Assets	<u>\$ 33,035</u>	<u>\$ 726</u>	<u>\$ 7,579</u>	<u>\$ 12,432</u>



							Totals
Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Governmental Facilities Authority	Internal Service Funds
\$ 4,954	\$ 1	\$ 241	\$ 170	\$ 30,489	\$ 1,070	\$ -	\$ 53,115
-	272	-	-	-	-	-	757
2,020	-	100	63	12,420	435	-	21,632
-	-	-	-	-	-	35,162	35,162
-	25	-	-	-	-	-	4,160
-	10	1	-	163	260	8,725	9,619
787	643	52	-	-	-	-	10,751
457	-	-	-	-	-	-	1,057
8,218	951	394	233	43,072	1,765	43,887	136,253
1,190	-	59	37	7,316	256	-	12,743
-	-	-	-	-	-	183,781	183,781
-	14,595	31,919	-	-	-	-	85,204
1,190	14,595	31,978	37	7,316	256	183,781	281,728
\$ 9,408	\$ 15,546	\$ 32,372	\$ 270	\$ 50,388	\$ 2,021	\$ 227,668	\$ 417,981
\$ 599	\$ 194	\$ 27	\$ 70	\$ 477	\$ 90	\$ 162	\$ 10,015
43	37	8	-	-	26	-	1,343
-	1,283	3	-	-	1,301	-	3,181
-	3,304	-	-	-	-	-	4,851
30	37	7	-	-	22	-	1,347
-	5	239	-	-	-	37	2,324
-	56	-	-	-	1	3,258	3,315
672	4,916	284	70	477	1,440	3,457	26,376
-	-	-	-	-	-	-	2,310
-	-	-	-	-	-	1,204	1,204
-	6,584	-	-	-	-	-	12,413
-	-	-	-	-	-	191,646	191,646
-	-	34,105	-	-	-	-	34,105
75,726	-	-	-	-	-	-	79,063
75,726	6,584	34,105	-	-	-	192,850	320,741
76,398	11,500	34,389	70	477	1,440	196,307	347,117
-	-	-	204	10,669	-	-	26,802
(66,990)	4,046	(2,017)	(4)	39,242	581	31,361	44,062
\$ (66,990)	\$ 4,046	\$ (2,017)	\$ 200	\$ 49,911	\$ 581	\$ 31,361	\$ 70,864

**STATE OF MAINE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	<b>Motor Transport Service</b>	<b>Postal Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 24,472	\$ 34,178	\$ 36,185	\$ 3,540
Miscellaneous Revenues	-	-	-	-
Total Operating Revenues	<u>24,472</u>	<u>34,178</u>	<u>36,185</u>	<u>3,540</u>
<b>Operating Expenses</b>				
General Operations	20,254	33,315	31,950	1,776
Depreciation	5,168	44	3,801	6
Claims/Fees Expense	-	-	-	1,411
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>25,422</u>	<u>33,359</u>	<u>35,751</u>	<u>3,193</u>
Operating Income (Loss)	<u>(950)</u>	<u>819</u>	<u>434</u>	<u>347</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	-	-	-	-
Interest Expense	(329)	-	(17)	-
Other Nonoperating Revenues (Expenses) - net	<u>(1,620)</u>	<u>(14)</u>	<u>(59)</u>	<u>501</u>
Total Nonoperating Revenues (Expenses)	(1,949)	(14)	(76)	501
Income (Loss) Before Capital Contributions and Transfers	<u>(2,899)</u>	<u>805</u>	<u>358</u>	<u>848</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	-	-	(21)	-
Total Capital Contributions and Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(21)</u>	<u>-</u>
Change in Net Assets	(2,899)	805	337	848
Total Net Assets - Beginning of Year	<u>35,934</u>	<u>(79)</u>	<u>7,242</u>	<u>11,584</u>
Total Net Assets - End of Year	<u>\$ 33,035</u>	<u>\$ 726</u>	<u>\$ 7,579</u>	<u>\$ 12,432</u>

<b>Workers' Compensation</b>	<b>Central Fleet Management</b>	<b>Leased Space</b>	<b>Revenue Services</b>	<b>Retiree Health Insurance</b>	<b>Employee Health Insurance</b>	<b>Governmental Facilities Authority</b>	<b>Totals Internal Service Funds</b>
\$ 16,324	\$ 6,676	\$ 18,846	\$ 329	\$ 42,313	\$ 107,111	\$ 8,152	\$ 298,126
52	-	-	-	-	-	517	569
16,376	6,676	18,846	329	42,313	107,111	8,669	298,695
2,817	3,712	11,559	818	29,977	106,998	180	243,356
3	2,278	3,536	-	-	-	-	14,836
9,170	-	-	-	-	-	-	10,581
-	-	-	-	-	-	1,375	1,375
11,990	5,990	15,095	818	29,977	106,998	1,555	270,148
4,386	686	3,751	(489)	12,336	113	7,114	28,547
-	-	-	-	-	-	1,861	1,861
(27)	(407)	(4,032)	-	-	-	(9,878)	(14,690)
194	(35)	4	16	1,341	154	-	482
167	(442)	(4,028)	16	1,341	154	(8,017)	(12,347)
4,553	244	(277)	(473)	13,677	267	(903)	16,200
-	-	-	-	-	-	-	(21)
-	-	-	-	-	-	-	(21)
4,553	244	(277)	(473)	13,677	267	(903)	16,179
(71,543)	3,802	(1,740)	673	36,234	314	32,264	54,685
\$ (66,990)	\$ 4,046	\$ (2,017)	\$ 200	\$ 49,911	\$ 581	\$ 31,361	\$ 70,864

**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

June 30, 2002  
(Expressed in Thousands)

	<b>Motor Transport Service</b>	<b>Postal Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 25,696	\$ 34,183	\$ 35,231	\$ 3,659
Payments to Suppliers	(8,982)	(31,101)	(22,987)	(3,260)
Payments to Employees	(10,699)	(2,362)	(11,093)	(278)
Net Cash Provided (Used) by Operating Activities	6,015	720	1,151	121
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers in	-	-	-	268
Operating Transfers out	-	-	(400)	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	(400)	268
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(6,521)	(39)	(4,005)	-
Capital Contributions	1,014	(304)	(21)	-
Proceeds From Financing Arrangements	773	-	-	-
Principal and Interest Paid on Financing Arrangements	(329)	-	(455)	-
Proceeds from Sale of Capital Assets	(1,869)	-	(64)	88
Net Cash Provided (Used) by Capital Financing Activities	(6,932)	(343)	(4,545)	88
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	249	-	5	500
Payments to Purchase Investments	-	(151)	-	-
Proceeds from Sale of Investments	657	-	1,699	-
Net Cash Provided (Used) by Investing Activities	906	(151)	1,704	500
Net Increase (Decrease) in Cash/Cash Equivalents	(11)	226	(2,090)	977
Cash/Cash Equivalents - Beginning of Year	4,764	178	4,132	8,499
Cash/Cash Equivalents - End of Year	\$ 4,753	\$ 404	\$ 2,042	\$ 9,476
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (950)	\$ 819	\$ 434	\$ 347
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	5,168	44	3,801	6
Decrease (Increase) in Assets				
Accounts Receivable	364	108	(1,046)	(42)
Interfund Balances	139	43	27	2
Inventories	864	(103)	-	-
Increase (Decrease) in Liabilities				
Accounts Payable	397	(64)	(264)	(41)
Accrued Payroll Expenses	2	(134)	32	-
Change in Compensated Absences	35	7	104	10
Other Accruals	(4)	-	(1,937)	(161)
Total Adjustments	6,965	(99)	717	(226)
Net Cash Used by Operating Activities	\$ 6,015	\$ 720	\$ 1,151	\$ 121

	Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Governmental Facilities Authority	Totals Internal Service Funds
\$	16,273	\$ 6,764	\$ 18,939	\$ 329	\$ 44,150	\$ 106,940	\$ -	\$ 292,164
	(11,743)	(2,085)	(10,934)	(757)	(29,501)	(106,392)	(26,155)	(253,897)
	(838)	(630)	(601)	-	-	(442)	-	(26,943)
	3,692	4,049	7,404	(428)	14,649	106	(26,155)	11,324
	-	47	-	-	-	-	-	315
	-	-	(1,213)	-	-	-	-	(1,613)
	-	47	(1,213)	-	-	-	-	(1,298)
	-	(3,138)	(9,401)	-	-	-	-	(23,104)
	-	-	-	-	-	-	-	689
	-	-	7,410	-	-	-	32,325	40,508
	(29)	(1,140)	(4,032)	-	-	-	(9,878)	(15,863)
	-	(10)	-	-	-	-	-	(1,855)
	(29)	(4 288)	(6 023)	-	-	-	22,447	375
	194	-	-	15	1,342	154	1,861	4,320
	(1,389)	-	(60)	-	(5,263)	(58)	-	(6,921)
	-	89	-	188	-	-	-	2,633
	(1,195)	89	(60)	203	(3,921)	96	1,861	32
	2,468	(103)	108	(225)	10,728	202	(1,847)	10,433
	2,486	376	133	395	19,761	868	37,009	78,601
\$	4,954	\$ 273	\$ 241	\$ 170	\$ 30,489	\$ 1,070	\$ 35,162	\$ 89,034
\$	4,386	\$ 686	\$ 3,751	\$ (489)	\$ 12,336	\$ 113	\$ 7,114	\$ 28,547
	3	2,278	3,536	-	-	-	-	14,836
	128	92	93	-	1,837	(171)	(31,454)	(30,091)
	-	1,127	3	-	-	224	-	1,565
	-	(5)	-	-	-	-	-	756
	(564)	(41)	(24)	61	476	31	(3,712)	(3,745)
	(32)	(28)	(2)	-	-	(20)	-	(182)
	1	4	6	-	-	6	-	173
	(230)	(64)	41	-	-	(77)	1,897	(535)
	(694)	3 363	3,653	61	2 313	(7)	(33,269)	(17,223)
\$	3,692	\$ 4,049	\$ 7,404	\$ (428)	\$ 14,649	\$ 106	\$ (26,155)	\$ 11,324



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# PRIVATE PURPOSE TRUSTS & AGENCY FUNDS

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## Private Purpose Trust Funds

Abandoned Property Fund - This fund accounts for unclaimed property receipts. All holders of property presumed abandoned must report these properties to the Treasurer annually. The Treasurer will honor claims indefinitely.

Revenue on Private Purpose Trusts Fund – This fund accounts for expendable earnings on private purpose trust fund balances.

Lands Reserved Trust Funds – These funds were established to account for revenue derived from the sale of timber from public lands and from appreciation on investments. The income is to be used for school purposes by townships when they become organized towns or plantations.

Permanent School Fund – This fund is comprised of numerous small private purpose trusts, the income from which may be used for specified purposes

## Agency Funds

Payroll Withholding Fund – This fund accounts for all payroll taxes and deductions withheld to pay the federal government, other State agencies, and payroll vendors.

Private Trusts Fund – This fund is used to account for assets held by the State acting as an agent for patients of State Mental Health facilities, inmates at State Correctional Institutions, recipients of State-supported elder and adult services, and child support enforcement services. Also included in this fund are insurance company and unemployment guaranty deposits, and assets held in Courts and Corrections restitution escrow accounts.

Other Agency Funds – These funds account for numerous small agency funds which have been combined for financial reporting purposes.

Treasurer's Agency Fund – This fund accounts for deposits of quasi-governmental units placed in the Treasurer's Cash Pool for investment purposes.

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**

June 30, 2002  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	Totals Private Purpose Trusts
<b>Assets</b>					
Cash and Short-Term Investments	\$ 92	\$ 26	\$ 258	\$ -	\$ 376
Investments at Fair Value:					
Other	57	3	7,323	1,083	8,466
Assets Held in Trust	4,587	-	-	-	4,587
Total Assets	<u>\$ 4,736</u>	<u>\$ 29</u>	<u>\$ 7,581</u>	<u>\$ 1,083</u>	<u>\$ 13,429</u>
<b>Liabilities</b>					
Accounts Payable	\$ 4	\$ -	\$ -	\$ -	\$ 4
Other Accrued Liabilities	4,033	1	-	-	4,034
Total Liabilities	<u>\$ 4,037</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,038</u>
<b>Net Assets</b>					
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	699	28	7,581	1,083	9,391
Total Net Assets	<u>\$ 699</u>	<u>\$ 28</u>	<u>\$ 7,581</u>	<u>\$ 1,083</u>	<u>\$ 9,391</u>



**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**PRIVATE PURPOSE TRUST FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	Totals Private Purpose Trusts
<b>Additions:</b>					
Contributions:					
Investment Income:					-
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ (1,648)	\$ (85)	\$ (1,733)
Interest and Dividends	105	239	750	-	1,094
Net Investment Income (Loss)	105	239	(898)	(85)	(639)
Miscellaneous Revenues	6,992	-	-	-	6,992
Transfers In	-	483	-	-	483
	<u>7,097</u>	<u>722</u>	<u>(898)</u>	<u>(85)</u>	<u>6,836</u>
<b>Deductions:</b>					
Benefits Paid to Participants or Beneficiaries	2,667	74	-	-	2,741
Transfers Out	7,836	677	-	-	8,513
	<u>10,503</u>	<u>751</u>	<u>-</u>	<u>-</u>	<u>11,254</u>
Net Increase (Decrease)	(3,406)	(29)	(898)	(85)	(4,418)
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	4,105	57	8,479	1,168	13,809
End of Year	<u>\$ 699</u>	<u>\$ 28</u>	<u>\$ 7,581</u>	<u>\$ 1,083</u>	<u>\$ 9,391</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**

June 30, 2002  
(Expressed in Thousands)

	<u>Payroll</u>	<u>Private</u>	<u>Other</u>	<u>Treasurer's</u>	<u>Totals</u>
	<u>Withholding</u>	<u>Trusts</u>	<u>Agency</u>	<u>Agency</u>	<u>Agency</u>
					<u>Funds</u>
<b>Assets</b>					
Cash and Short-Term Investments	\$ 26	\$ 5,018	\$ 513	\$ 12	\$ 5,569
Investments at Fair Value:					
Other	14	2,131	331	-	2,476
Assets Held in Trust	-	1,254,309	-	-	1,254,309
Total Assets	<u>\$ 40</u>	<u>\$ 1,261,458</u>	<u>\$ 844</u>	<u>\$ 12</u>	<u>\$ 1,262,354</u>
<b>Liabilities</b>					
Accounts Payable	\$ 25	\$ -	\$ 14	\$ -	\$ 39
Due to Brokers for Securities Purchased					-
Agency Liabilities	-	1,261,458	830	12	1,262,300
Other Accrued Liabilities	15	-	-	-	15
Total Liabilities	<u>\$ 40</u>	<u>\$ 1,261,458</u>	<u>\$ 844</u>	<u>\$ 12</u>	<u>\$ 1,262,354</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

Fiscal Year Ended June 30, 2002  
(Expressed in Thousands)

	Balance July 1, 2001	Additions	Deductions	Balance June 30, 2002
<b>Payroll Withholding</b>				
<b>Assets</b>				
Cash & Short-Term Investments	\$ 31	\$ 231,938	\$ 231,929	\$ 40
Total Assets	\$ 31	\$ 231,938	\$ 231,929	\$ 40
<b>Liabilities</b>				
Accounts Payable	\$ 31	\$ 359,561	\$ 359,552	\$ 40
Total Liabilities	\$ 31	\$ 359,561	\$ 359,552	\$ 40
<b>Private Trusts</b>				
<b>Assets</b>				
Assets Held in Trust	\$ 607,734	\$ 668,381	\$ 14,657	\$ 1,261,458
Total Assets	\$ 607,734	\$ 668,381	\$ 14,657	\$ 1,261,458
<b>Liabilities</b>				
Agency Liabilities	\$ 607,734	\$ 670,581	\$ 16,857	\$ 1,261,458
Total Liabilities	\$ 607,734	\$ 670,581	\$ 16,857	\$ 1,261,458
<b>Other Agency</b>				
<b>Assets</b>				
Cash & Short-Term Investments	\$ 891	\$ 6,105	\$ 6,152	\$ 844
Total Assets	\$ 891	\$ 6,105	\$ 6,152	\$ 844
<b>Liabilities</b>				
Agency Liabilities	\$ 891	\$ 12,248	\$ 12,295	\$ 844
Total Liabilities	\$ 891	\$ 12,248	\$ 12,295	\$ 844
<b>Treasurer's Agency</b>				
<b>Assets</b>				
Cash & Short-Term Investments	\$ 12	\$ 300,733	\$ 300,733	\$ 12
Total Assets	\$ 12	\$ 300,733	\$ 300,733	\$ 12
<b>Liabilities</b>				
Agency Liabilities	\$ 12	\$ 279,547	\$ 279,547	\$ 12
Total Liabilities	\$ 12	\$ 279,547	\$ 279,547	\$ 12
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash & Short-Term Investments	\$ 934	\$ 538,776	\$ 538,814	\$ 896
Assets Held in Trust	607,734	668,381	14,657	1,261,458
Total Assets	\$ 608,668	\$ 1,207,157	\$ 553,471	\$ 1,262,354
<b>Liabilities</b>				
Accounts Payable	\$ 31	\$ 359,561	\$ 359,552	\$ 40
Agency Liabilities	608,637	962,376	308,699	1,262,314
Total Liabilities	\$ 608,668	\$ 1,321,937	\$ 668,251	\$ 1,262,354



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# STATISTICAL SECTION

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TABLE I

**STATE OF MAINE**  
**EXPENDITURES BY FUNCTION**  
**ALL GOVERNMENTAL FUND TYPES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>General Government</b>	\$ 239,204	\$ 312,767	\$ 273,228	\$ 257,228	\$ 259,715	\$ 313,648	\$ 407,423	\$ 431,959	\$ 555,264	\$ 481,855
<b>Economic Development</b>	101,195	81,407	92,381	93,329	96,141	92,173	88,315	112,079	110,304	133,320
<b>Education &amp; Cultural Services</b>	961,949	901,229	957,003	979,323	817,559	845,751	910,540	966,947	993,992	1,325,259
<b>Human Services</b>	1,340,335	1,445,823	1,527,840	1,700,472	1,697,053	1,712,124	1,816,359	1,934,243	2,077,991	2,443,949
<b>Labor</b>	152,423	103,161	62,389	54,651	77,793	83,613	82,012	79,690	76,389	92,191
<b>Natural Resources</b>	98,513	84,912	115,805	110,166	104,575	103,738	111,800	119,783	132,041	136,601
<b>Public Protection</b>	53,627	56,597	56,454	57,291	63,872	87,009	82,093	82,641	92,947	109,022
<b>Transportation</b>	291,516	291,631	283,171	342,133	364,978	319,123	339,572	355,801	397,588	393,985
<b>Debt Service</b>	79,822	-	113,063	111,825	122,275	104,220	107,587	112,980	123,407	108,384
<b>Total Expenditures</b>	<u>\$ 3,318,584</u>	<u>\$ 3,277,527</u>	<u>\$ 3,481,334</u>	<u>\$ 3,706,418</u>	<u>\$ 3,603,961</u>	<u>\$ 3,661,399</u>	<u>\$ 3,945,701</u>	<u>\$ 4,196,123</u>	<u>\$ 4,559,923</u>	<u>\$ 5,224,566</u>

Notes: Governmental Fund Types of the primary government are described in Note 1C of the Notes to the Financial Statements.  
Fiscal Year 1994 data on budgetary basis - GAAP financial information unavailable for that year.

TABLE II

**STATE OF MAINE**  
**REVENUES BY SOURCE**  
**ALL GOVERNMENTAL FUND TYPES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<b>Taxes</b>	\$ 1,798,315	\$ 1,934,966	\$ 1,733,996	\$ 1,975,208	\$ 2,113,711	\$ 2,326,004	\$ 2,350,495	\$ 2,632,465	\$ 2,522,131	\$ 2,417,458
<b>Assessments &amp; Other Revenues</b>	47,185	134,640	223,903	147,770	150,213	175,502	178,997	189,213	208,904	212,777
<b>Federal Grants &amp; Reimbursements</b>	1,084,124	1,064,397	1,103,981	1,404,181	1,324,706	1,337,685	1,470,231	1,555,970	1,610,209	1,837,347
<b>Service Charges</b>	133,483	105,504	104,125	113,477	133,886	113,442	83,639	71,398	69,350	141,584
<b>Income from Investments</b>	6,427	4,932	13,821	-	-	161	28,898	37,094	50,369	6,422
<b>Miscellaneous Revenues</b>	564	67,371	94,268	51,326	35,160	51,649	53,842	113,705	110,182	91,321
<b>Total Revenues</b>	<u>\$ 3,070,098</u>	<u>\$ 3,311,810</u>	<u>\$ 3,274,094</u>	<u>\$ 3,691,962</u>	<u>\$ 3,757,676</u>	<u>\$ 4,004,443</u>	<u>\$ 4,166,102</u>	<u>\$ 4,599,845</u>	<u>\$ 4,571,145</u>	<u>\$ 4,706,909</u>

Notes: Governmental Fund Types of the primary government are described in Note 1C of the Notes to the Financial Statements.  
Fiscal Year 1994 data on budgetary basis - GAAP financial information unavailable for that year.

TABLE III

**STATE OF MAINE**  
**NET GENERAL LONG-TERM BONDED DEBT**  
**AND OTHER FINANCING PER CAPITA**

Last Ten Fiscal Years  
(Expressed in Thousands)

Fiscal Year	Population (1)	Bonded Debt	Notes and Other Financing (2)	Total Debt	Bonded Debt Per Capita
2002	1,275	\$346,495	\$197,007	\$543,502	\$426
2001	1,275	406,490	159,870	566,360	444
2000	1,275	452,975	105,971	558,946	438
1999	1,244	486,620	14,631	501,251	403
1998	1,244	497,050	6,137	503,187 (3)	404
1997	1,244	490,086	6,894	496,980	399
1996	1,244	515,690	8,045	523,735	421
1995	1,244	516,060	9,870	525,930	423
1994	1,244	529,060	11,680	540,740	435
1993	1,244	544,705	13,815	558,520	449

Notes: (1) Population figures obtained from US Census population estimates released July 1999.

(2) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Includes revenue bonds of the Maine Governmental Facilities Authority.

(3) In fiscal year 1997, the State adopted GASB Statement No.14. This resulted in \$719,000 of Maine Technical College System bonds being reported with discrete component units and \$15,400,000 of Maine Governmental Facilities Authority bonds (then the Maine Court Facilities Authority) being blended with the primary government.

TABLE IV

**STATE OF MAINE**  
**RATIO OF NET GENERAL LONG-TERM BONDED DEBT**  
**AND OTHER FINANCING TO ASSESSED VALUE**

Last Ten Fiscal Years  
(Expressed in Thousands)

Fiscal Year	Assessed Value (1)	Bonded Debt	Notes and Other Financing (2)	Total Debt	Ratio to Assessed Value
2002	\$84,873,180	\$346,495	\$197,007	\$543,502	0.64%
2001	78,389,000	406,490	159,870	566,360	0.72%
2000	74,260,000	452,975	105,971	558,946	0.75%
1999	71,779,350	486,620	14,631	501,251	0.70%
1998	69,691,900	497,050	6,137	503,187 (3)	0.72%
1997	68,286,600	490,086	6,894	496,980	0.73%
1996	67,102,926	515,690	8,045	523,735	0.78%
1995	66,425,500	516,060	9,870	525,930	0.79%
1994	66,565,500	529,060	11,680	540,740	0.81%
1993	67,751,400	544,705	13,815	558,520	0.82%

Notes: (1) The Maine Revenue Service valuation of taxable property is filed in January of each year, based on the value of property as of April 1, 21 months prior to the filing date.

(2) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Includes revenue bonds of the Maine Governmental Facilities Authority.

(3) In fiscal year 1997, the State adopted GASB Statement No.14. This resulted in \$719,000 of Maine Technical College System bonds being reported with discrete component units and \$15,400,000 of Maine Governmental Facilities Authority bonds (then the Maine Court Facilities Authority) being blended with the primary government.

TABLE V

**STATE OF MAINE**  
**RATIO OF ANNUAL DEBT SERVICE FOR GENERAL**  
**LONG-TERM BONDED DEBT AND OTHER FINANCING**  
**TO TOTAL GENERAL GOVERNMENT EXPENDITURES**

Last Ten Fiscal Years  
(Expressed in Thousands)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures (1)	Ratio of Debt Service to General Government Expenditures
2002	\$87,605	\$20,775	\$108,380	\$5,224,565	2.1%
2001	87,760	23,774	111,534	4,516,812	2.5%
2000	82,280	24,359	106,639	4,155,963	2.6%
1999	79,615	25,022	104,637	3,933,125	2.7%
1998	76,426	25,111	101,537	3,661,399	2.8%
1997	87,917	27,486	115,403	3,603,961	3.2%
1996	76,807	26,828	103,635	3,706,418	2.8%
1995	74,318	29,567	103,885	3,481,334	3.0%
1994	61,964	31,528	93,492	3,277,527	2.9%
1993	46,190	28,485	74,675	3,318,584	2.3%

Notes: (1) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Does not include debt of the Maine Governmental Facilities Authority.

TABLE VI

**STATE OF MAINE**  
**COMPUTATION OF LEGAL DEBT MARGIN**

JUNE 30, 2002

Pursuant to Article IX, Section 14 of the Maine Constitution, the Legislature shall not create any debt or debts on behalf of the State, which shall exceed \$2,000,000 in the aggregate, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made. Whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State as approved by such action. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, which

There were no temporary loans outstanding at June 30, 2002, which were subject to the Constitutional limitations.

All other general long-term bonds outstanding at June 30, 2002 were issued pursuant to properly ratified legislation.



TABLE VII

**STATE OF MAINE**  
**PRINCIPAL INDUSTRIAL EMPLOYERS**  
NOT SEASONALLY ADJUSTED  
RANKED BY NUMBER OF EMPLOYEES IN MAINE

June 2002

	<b>Company</b>	<b>Number of Employees (1)</b>
1	Hannaford Brothers Company.....	7,400
2	Bath Iron Works Corporation.....	6,400
3	Wal Mart Associates, Inc.....	5,100
4	L.L. Bean, Inc.....	5,000
5	Maine Medical Center Foundation.....	5,000
6	MBNA Marketing Systems, Inc.....	4,000
7	UNUMPROVIDENT Corp.....	3,500
8	Shaw's Supermarkets.....	3,400
9	Eastern Maine Medical Center.....	2,600
10	International Paper Company.....	2,400
11	MaineGeneral Medical Center - Augusta.....	2,200
12	Banknorth Group, Inc.....	2,200
13	Pratt & Whitney Aircraft Group.....	1,500
14	Anthem Health Systems.....	1,500
15	Verizon New England, Inc.....	1,500
16	Central Maine Power Company.....	1,400
17	S. D. Warren.....	1,400
18	Great Northern Paper, Inc.....	1,300
19	Fairchild Semiconductor Corporation.....	1,200
20	Rite Aid of Maine, Inc.....	1,200
21	Mercy Hospital.....	1,200
22	Central Maine Medical Center.....	1,200
23	Mead Oxford Corporation.....	1,200
24	Home Depot USA, Inc.....	1,200
25	Jackson Laboratory.....	1,200
26	Sunday River Skiway.....	1,200
27	Irving Oil Corporation.....	1,100
28	Nexfor Fraser Papers, Inc.....	1,000
29	Bowdoin College.....	1,000
30	Sweetser Children's Services.....	900
31	Ames Merchandising Corporation.....	900
32	C.N. Brown Co.....	900
33	Goodwill Industries of Northern N.E.....	900
34	Southern Maine Medical Center.....	900
35	Dead River Company.....	900
36	General Electric Co.....	800
37	New Balance Athletic Shoe, Inc.....	800
38	Vencor Nursing Centers West LLC.....	800
39	Attendant Services, Inc.....	800
40	University of New England.....	800
41	United Parcel Service.....	800
42	Sears Roebuck and Co.....	800
43	Bates College.....	800
44	Microdyne Outsourcing, Inc.....	800
45	I C T Group, Inc.....	800
46	Interstate Brands Corporation.....	800
47	Penobscot Bay Medical Center.....	800
48	Community Health and Counseling Services.....	800
49	North Country Associates, Inc.....	800
50	Manpower.....	800

Note: (1) Approximate number of employees

Source: Maine State Department of Labor

TABLE VIII

# STATE OF MAINE EXPORTS BY INDUSTRY

June 2002 and 2001  
(Expressed in Thousands)

<u>Description</u>	<u>2002</u>	<u>2001</u>	<u>Percentage Change</u>
Computer and Electronic Products	\$535,435	\$347,089	54.26 %
Paper	384,880	354,369	8.61
Forestry Products	185,442	186,914	-0.79
Fish, Fresh, Chilled or Frozen & Other Marine Products	166,456	148,978	11.73
Transportation Equipment	101,234	79,685	27.04
Machinery, Except Electrical	88,301	97,936	-9.84
Chemicals	79,029	53,578	47.50
Food and Kindred Products	66,220	68,220	-2.93
Wood Products	64,990	76,235	-14.75
Leather and Allied Products	60,548	69,699	-13.13
Electrical Equipment, Appliances, and Components	44,766	34,367	30.26
Plastics and Rubber Products	32,160	27,568	16.66
Livestock and Livestock Products	20,721	38,996	-46.86
Agricultural Products	19,584	19,133	2.36
Goods Returned to Canada	17,808	22,364	-20.37
Nonmetallic Mineral Products	13,594	5,961	128.06
Fabricated Metal Products	13,342	12,491	6.81
Waste and Scrap	13,224	11,330	16.72
Miscellaneous Manufactured Commodities	12,974	13,186	-1.60
Special Classification Provisions	9,573	16,776	-42.94
Primary Metal Manufacturing	8,521	13,508	-36.92
Textile and Fabrics	7,774	8,757	-11.23
Textile Mill Products	7,020	9,299	-24.50
Furniture and Fixtures	5,364	4,028	33.18
Beverages and Tobacco Products	4,710	7,654	-38.46
Printing, Publishing and Similar Products	3,126	5,346	-41.53
Apparel and Accessories	3,079	3,650	-15.63
Petroleum and Coal Products	1,480	1,804	-17.96
Used or Second Hand Merchandise	1,350	1,954	-30.91
Minerals and Ores	347	295	17.70
Oil and Gas	7	71,288	-99.99
<b>Maine Export Totals</b>	<b>\$1,973,059</b>	<b>\$1,812,458</b>	<b>1.90 %</b>

TABLE IX

# STATE OF MAINE TOP TEN MARKETS

June 2002 and 2001  
(Expressed in Thousands)

<u>Country</u>	<u>2002</u>	<u>2001</u>	<u>Percentage Change</u>
Canada	\$791,082	\$846,319	-6.53 %
Singapore	248,341	105,265	135.92
Malaysia	167,616	132,668	26.34
Japan	85,908	74,852	14.77
Korea, Republic of	80,682	35,134	129.64
United Kingdom	65,914	36,375	81.21
Belgium	49,942	36,773	35.81
China (Mainland)	48,236	34,284	40.69
Hong Kong	38,260	46,848	-18.33
Australia	37,586	42,005	-10.52

Source: Maine International Trade Center

TABLE X

**STATE OF MAINE  
EMPLOYED AND UNEMPLOYED BY LABOR MARKET  
NOT SEASONALLY ADJUSTED**

June 2002 and 2001

Labor Market Areas	<u>Civilian Labor Force (1)</u>		<u>Employed (2)</u>		<u>Unemployed (3)</u>		<u>Unemployment Rate (4)</u>	
	<u>June 02</u>	<u>June 01</u>	<u>June 02</u>	<u>June 01</u>	<u>June 02</u>	<u>June 01</u>	<u>June 02</u>	<u>June 01</u>
Augusta	47,880	47,220	46,127	45,470	1,753	1,750	3.7 %	3.7 %
Bangor MSA	52,690	52,500	51,399	51,200	1,291	1,200	2.5	6.0
Bath-Brunswick	35,342	36,430	34,185	35,490	1,157	950	3.3	2.6
Belfast	18,421	18,370	17,792	17,840	629	530	3.4	2.9
Biddeford	44,875	44,650	43,667	43,590	1,208	1,060	2.7	2.4
Boothbay Harbor	10,561	10,460	10,392	10,300	169	170	1.6	1.6
Bucksport	5,061	5,510	4,891	5,340	170	170	3.4	3.0
Calais	4,848	4,960	4,500	4,550	348	410	7.2	8.2
Dexter-Pittsfield	12,671	12,490	11,412	11,610	1,259	880	9.9	7.1
Dover-Foxcroft	7,165	7,110	6,728	6,680	437	430	6.1	6.1
Ellsworth-Bar Harbor	22,908	22,440	22,215	21,720	693	720	3.0	3.2
Farmington	16,708	16,750	15,677	15,540	1,031	1,210	6.2	7.2
Fort Kent	4,061	3,790	3,832	3,510	229	280	5.6	7.3
Greenville	1,002	960	909	910	93	50	9.3	4.8
Houlton	6,211	6,140	5,933	5,890	278	240	4.5	4.0
Jonesport-Milbridge	4,348	4,100	4,074	3,840	274	260	6.3	6.4
Kittery-York (5)	21,013	21,240	20,269	20,810	744	430	3.5	2.0
Lewiston-Auburn MSA	53,113	54,400	50,984	52,400	2,129	2,000	4.0	3.6
Lincoln-Howland	5,960	5,940	5,582	5,540	378	400	6.3	6.8
Machias-Eastport	6,721	6,540	6,173	6,170	548	370	8.2	5.6
Madawaska	3,736	3,710	3,616	3,610	120	100	3.2	2.7
Millinocket-East Millinocket	5,120	5,060	4,761	4,710	359	350	7.0	7.0
Norway-Paris	12,051	12,070	11,386	11,450	665	620	5.5	5.2
Outer Bangor	9,385	8,970	8,918	8,540	467	430	5.0	4.8
Patten-Island Falls	1,792	1,820	1,647	1,650	145	170	8.1	9.2
Portland	140,833	139,300	137,154	136,300	3,679	3,000	2.6	2.2
Presque Isle-Caribou	20,740	20,790	19,913	20,070	827	720	4.0	3.5
Rockland	25,510	24,140	24,908	23,600	602	540	2.4	2.2
Rumford	9,606	9,660	8,778	8,900	828	760	8.6	7.9
Sanford	23,348	23,050	21,593	21,780	1,755	1,270	7.5	5.5
Sebang Lakes Region	15,000	14,220	14,477	13,770	523	450	3.5	3.1
Skowhegan	16,816	17,050	15,617	15,920	1,199	1,130	7.1	6.6
Stonington	6,036	5,800	5,891	5,660	145	140	2.4	2.4
Van Buren	1,341	1,450	1,258	1,390	83	60	6.2	4.3
Waterville	24,848	24,390	23,684	23,510	1,164	870	4.7	3.6
MAINE	697,433	693,400	669,968	669,300	27,465	24,100	3.9 %	3.5 %
UNITED STATES (000's)	143,669	142,684	134,992	135,923	8,677	6,762	6.0 %	4.7 %

Notes: (1) Civilian labor force, employed, and unemployed estimates are by place of residence. Items may not add due to rounding. All data exclude members of the Armed Forces. MSA stands for Metropolitan Statistical Area.

(2) Total employment includes nonfarm wage and salary workers, agricultural workers, unpaid family workers, domestics, the self employed, and workers involved in labor disputes.

(3) People are classified as unemployed, regardless of their eligibility for unemployment benefits or public assistance, if they meet all of the following: they were not employed during the survey week; they were available for work at that time; and they made specific efforts to find employment some time during the prior four weeks. Persons laid off from their former jobs and awaiting recall and those expecting to report to a job within 30 days need not be looking for work to be counted as unemployed.

(4) The unemployment rate is calculated by dividing the total number of unemployed by the total civilian labor force, and is expressed as a percent.

(5) Kittery-York is the five-town Maine portion of the Portsmouth-Rochester PMSA which includes towns in both Maine and New Hampshire.

Source: Maine Department of Labor, Labor Market Information Services, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

TABLE XI

# STATE OF MAINE FINANCIAL INSTITUTION DEPOSITS

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2002</u>		<u>2001</u>		<u>2000</u>		<u>1999</u>	
	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>
Trust Companies	9	\$1,547,458	9	\$1,424,564	10	\$2,488,507	11	\$2,958,142
Limited Purpose Banks	7	-	6	-	5	-	5	772
National Banks	7	7,440,908	7	7,494,223	6	6,035,433	5	2,920,566
State Savings Banks	15	5,010,519	16	4,690,828	16	4,269,611	17	6,909,744
Federal Savings Banks	2	739,898	2	704,563	4	750,020	4	661,957
State Savings & Loans	3	103,550	3	100,834	3	94,665	3	95,868
Federal Savings & Loans	4	206,822	4	200,502	4	179,365	4	178,385
State Credit Unions	15	711,205	14	628,463	13	502,274	13	501,390
Federal Credit Unions	63	2,127,767	67	1,948,491	72	1,841,490	75	1,816,004
<b>Total Institutions</b>	125	\$17,888,127	128	\$17,192,468	133	\$16,161,365	137	\$16,042,828
State Chartered	49	\$7,372,732	48	\$6,844,689	47	\$7,355,057	49	\$10,465,916
Federally Chartered	76	10,515,395	80	10,347,779	86	8,806,308	88	5,576,912
<b>Total Chartered</b>	125	\$17,888,127	128	\$17,192,468	133	\$16,161,365	137	\$16,042,828

Source: Bureau of Banking, Maine Department of Professional and Financial Regulation.

<u>1998</u>		<u>1997</u>		<u>1996</u>		<u>1995</u>		<u>1994</u>		<u>1993</u>	
<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>
12	\$2,660,193	13	\$2,790,194	14	\$5,396,641	14	\$5,484,431	14	\$4,909,550	14	\$4,874,189
	-		-		-		-		-		-
5	2,915,927	6	3,433,699	5	1,032,321	5	1,051,103	6	1,744,084	6	1,806,263
17	6,497,694	17	5,307,205	17	5,062,377	17	4,856,487	17	4,523,302	17	4,439,902
4	613,691	4	556,835	4	428,519	4	405,567	5	473,484	6	528,011
3	91,170	3	88,399	3	83,630	3	76,042	4	101,595	4	101,817
4	173,879	4	168,591	5	243,010	5	233,024	5	216,956	5	216,717
12	422,829	11	380,613	12	368,532	13	352,500	13	341,875	10	331,753
77	1,721,696	80	1,650,747	82	1,579,902	83	1,463,185	84	1,404,583	91	1,349,553
134	\$15,097,079	138	\$14,376,283	142	\$14,194,932	144	\$13,922,339	148	\$13,715,429	153	\$13,648,205
44	\$9,671,886	44	\$8,566,411	46	\$10,911,180	47	\$10,769,460	48	\$9,876,322	45	\$9,747,661
90	5,425,193	94	5,809,872	96	3,283,752	97	3,152,879	100	3,839,107	108	3,900,544
134	\$15,097,079	138	\$14,376,283	142	\$14,194,932	144	\$13,922,339	148	\$13,715,429	153	\$13,648,205